# The Labor Banking Movement in the United States

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IN THE UNITED STATES

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INDUSTRIAL RELATIONS SECTION OF THE DEPARTMENT OF ECONOMICS
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PREPARED BY THE
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*Industrial Relations Section*
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## *FOREWORD*

THE collection of material and statistics for this study was begun in 1925 by Professor Robert F. Foerster, formerly Director of the Industrial Relations Section, with the assistance of Miss Else H. Dietel. In 1926 the present staff assumed this work and since that time an extensive body of documentary and published material has been collected. Correspondence has been carried on during these years with the officers of labor banks and of trade unions participating in their adminstration. Most valuable, however, has been the information and advice obtained through interviews with labor bankers, officers of representative banks in the same city, and many other persons in touch with the local or general movement. Every community in which a labor bank has existed has been visited in the course of the survey.

The Industrial Relations Section is most grateful for the generous help it has received from many persons throughout the country. Without their assistance, the following study would be both incomplete and inaccurate. While personal mention is impossible, it is hoped that these individuals will find the results a return for their cooperation.

The facts presented in the report have necessarily been based in large measure on first-hand information secured either by correspondence or interview. On account of the limited availability of such correspondence and the desire of many persons visited to remain unidentified, documentation has been limited to those points of information secured from published sources alone. In other instances, however, reference has been made to published sources where fuller information is available.

The preparation of the report is the work of staff of the Industrial Relations Section. Miss E. Augusta Zinsman and Miss

Ann A. Lyons have given much assistance in the preparation of charts and statistics. Chapter V and the Appendices have been written by Miss Eleanor Davis, Assistant Director of the Section, and the remainder of the report by Professor J. Douglas Brown, Director of the Section.

*Princeton, New Jersey*
*August* 1, 1929

## *PREFACE*

THE first labor bank opened for business in May, 1920. Six years later, thirty-six institutions with total resources of more than $125,000,000 were in operation. In July, 1929, however, but twenty-two remain as labor institutions and the early withdrawal of at least four more has become a likelihood. Despite this reduction in number, the resources of labor banks continue well over a hundred million dollars. The movement shows marked signs of decline, but a nucleus of growing banks remains.

While by no means a matter of history alone, the labor banking movement has reached a phase where an objective examination is possible. The exaggerated enthusiasm of the early years has disappeared. The lessons of experience are still fresh. By an intensive analysis of past banks and present, the results of this economic experiment can be measured and evaluated.

The term *labor bank* has often been loosely used. In the following study only those institutions in which a majority of stock is owned by trade unions or trade union members are considered labor banks. The surveys upon which this report is based were not limited to such banks alone but of necessity included many borderline institutions, as well as the various other financial enterprises of national, federated, and local trade union organizations. To secure greater clarity in exposition and criticism, however, this report is confined almost entirely to labor banks and to securities or holding companies affiliated with them. Credit unions, building and loan associations, or securities companies not related to labor banks in origin or operation have been omitted even though controlled by labor organizations.

For reasons probably less justifiable the recent develop-

ments in labor banking abroad have not been discussed. The rise of *trade union* banks on the Continent, however, is a relatively recent development, which has paralleled rather than preceded the American movement. The circumstances of their initiation and activity are sufficiently different from those existing in this country to make a comparative analysis of doubtful value without extensive investigation.

As a part of the movement toward "labor capitalism," the development of labor banks is a counterpart of that of employee stock ownership. This latter movement was considered in "Employee Stock Ownership in the United States," which this study is intended to complement.

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CHAPTER ONE

# INTRODUCTION: THE BACKGROUNDS OF THE MOVEMENT

## A. THE ABSENCE OF EUROPEAN PRECEDENT

UNLIKE most developments in American trade unionism, the labor banking movement in this country owes very little to European precedent. A late development, it took place when American labor had reached a situation very different from that of the organized workers of European countries. The fundamental causes of this divergence lie far back in the early years of the American trade union movement. With the accumulation of unlike influences in recent years, a situation existed at the close of the War which created and encouraged an indigenous movement offering far more points of contrast than of similarity with European institutions in the same field of enterprise.

Two types of cooperative financial institutions have existed abroad for many years. On the Continent, and especially in Germany, people's banks have existed since the middle of the last century.[1] In England, the Banking Department of the Cooperative Wholesale Society has done an extensive business since it was created in 1872.[2] To neither of these types of popular and cooperative institutions can the evolution of American labor banks be traced. Although frequently cited as precedents for labor banking by the early leaders of the American movement, there was little if any justification for such references to European experience and success. Brief comparisons

[1] *See* C. R. Fay, *Co-operation at Home and Abroad*, chap. II.

[2] *See* Sidney and Beatrice Webb, *The Consumers' Co-operative Movement*, pp. 98-103.

of the European types with labor banking will suffice to show the entire dissimilarity of the American model.

Two forms of people's banks developed in Germany during the last half of the nineteenth century, the Schulze-Delitzsch banks and the Raiffeisen banks. The former are located in cities and towns and serve independent farmers, small tradesmen, and craftsmen as a source of cooperative credit. The latter exist largely in agricultural villages serving peasant landowners in the same general way. Many points of difference exist in the two institutions, such as the higher price of shares and larger average loans of the Schulze-Delitzsch banks, but both are membership organizations aimed to assist their own members although savings deposits are taken from outsiders. The credit standing of these institutions is based upon the joint responsibility of many individuals of relatively small incomes, supplemented by reserves built up from earnings or paid-in capital. They are truly cooperative since income over cost of services is returned to borrowers in the long run either in lower rates of interest, or as dividends in the Schulze-Delitzsch banks. In the Raiffeisen model, however, the price of shares is almost nominal and no dividends are paid on them. The member-borrowers of these institutions are mostly individual small enterprisers. Trade union organizations are not sponsors or shareholders in them. Commercial lending to nonmembers or small loans to casual, nonmember applicants play no part in these institutions. Their American counterparts are the building and loan association and, even more directly, the credit union. The latter, not the labor bank, is their true descendant in America.[1]

[1] *cf.* C. R. Fay, *Co-operation at Home and Abroad*, Part I; Henry W. Wolff, *Co-operative Banking*, and *People's Banks*. While these works best describe the people's banks on the Continent, many other books are available. The connection between the American credit union and its German forebears is definitely explained by Roy F. Bergengren in *Coöperative Banking, A Credit Union Book*, chap. II.

The labor bank, compared to these German institutions, is almost entirely capitalistic. Even where trade union members rather than organizations have financed labor banks, investment in stock has been primarily for dividend returns and not for eligibility for borrowing privileges at unusually low rates. The plan for cooperative dividends to savings depositors, which has appeared on paper in many labor banks and in practice in three, is but incidental to the underlying capitalistic form of ownership, control, and charges for service. The labor bank seeks the business of all comers and charges competitive rates. Only in the proposal that workers should become interested in banks serving workers can any heritage from the German models be traced, unless the incidental plan of cooperative dividends to depositors is considered a connecting thread.

The Banking Department of the English Cooperative Wholesale Society may on first thought seem closer to American labor banks on account of its large size and its connection with a national organization. But the Society is by no means a trade union nor a federation of unions and cannot be considered comparable to either. It serves organized and unorganized workers as individual consumers through affiliated retail cooperatives. The use of the Banking Department by some trade unions as a depository for their funds is but incidental. The function of the Department is primarily that of acting as a clearing house for the funds of the affiliated retail and wholesale cooperative enterprises and as a means of pooling the savings of their members for the benefit of the system. As would be expected, the Department has shared the income it has received in excess of expenses with both borrowers and depositors. No capitalistic interest in stockholders' profits exists, although more recently bonds have been floated. The extensive operations of the Department in financing shipments of goods used by affiliated societies make it

more comparable to a large New York bank than to a labor institution. In general, however, it is an adjunct of a cooperative merchandising and producing organization, and not an independent capitalistic bank controlled by organized labor.[1] Again the service motive and the device of profit sharing with depositors may be considered connecting links, but probably more important is the encouragement to emulation in a general way caused by the large size and dealings of the English institution.

The psychological make-up of American labor leaders and their constituents did not make them susceptible to the influence of these European precedents in working-class finance. The absence of marked and permanent social or economic stratification, at least for the individual; relatively prosperous standards of income and living; ambition and opportunities for advancement; and a heritage of individualism militated against successful class cooperation. The German institutions for cooperative credit were developed by individuals more definitely fixed within the small tradesman, craftsman, or peasant classes. The English model was an adjunct of an extensive system founded on working-class solidarity and need. American workingmen, organized or unorganized, before the War at least, saw little need to consolidate their efforts on the financial front. Joint efforts by organized workers were concentrated on combative action in the field of wages, hours, and working conditions, with incidental benefit plans aimed to promote or hold organization or to tide over a minority of needy members in times of emergency. When attempted, cooperative enterprises had often proved discouraging failures.

Before the War, the attitudes of American labor leaders proved a bulwark against consumers cooperation as well as

[1] *cf.* Sidney and Beatrice Webb, *The Consumers' Co-operative Movement*, pp. 98-103.

against financial cooperative enterprises. The sources of prestige and power in such enterprises were too slight and indirect to attract the active and ambitious labor leader who had developed. Only after large treasuries had accumulated and the sources of further funds had become large, did the financial power of trade unions divert attention from collective bargaining as a means of advancing the interests of the movement. Probably no one cause was more instrumental in creating the labor banking movement than the accumulation of large funds by strong national unions.

It was the stimulus of combat more than the appeal of class cooperation that brought labor banking to the fore in the years immediately following the War. While a few labor banks might have been founded solely in the interest of class cooperation, and several more because of the ambitions of national officers, it was the open shop campaign of the post-War years which served to arouse the rank and file of labor to an interest in the possibilities of banking enterprises.[1] Suspicion of the tactics of bankers favoring the open shop was widespread and proved a powerful factor in securing support for proposals for labor banks.[2]

The indigenous nature of the main causes just summarized, needs no further explanation. For better or for worse, the entrance of American labor into the field of banking has not followed any European precedent in more than a most superficial way.

[1] The greater responsibilities assumed by American labor leaders during the War and the Plumb Plan campaign for the joint administration of the railroads encouraged the officers of national unions to make new departures in trade union activity in the post-War years. The officers of the railroad brotherhoods, especially, were not adverse to enlarging the scope of their activities. The rank and file seemed ready to support any ventures which their leaders proposed, but more especially those defending labor against "big business."

[2] *See* Chapter III for a discussion of the purposes of the movement.

## B. THE EVOLUTION OF THE IDEA: WITHIN THE AMERICAN FEDERATION OF LABOR

The records of the American Federation of Labor contain an interesting sequence of sporadic proposals for labor banking, all of which were promptly rejected by the conservative leaders of the Federation. As early as 1904, a resolution was offered which in definite terms empowered the Executive Council of the Federation to select the cities in which workingmen's banks should be established. Each national union, state and city central, and local union affiliated with the Federation was to deposit its funds in these banks and "thus conduct an annex to the American Federation of Labor banking depositories for the money of their respective organizations." It was estimated by the proposer of the resolution that from five to twenty "National Banks or Savings Banks" in different parts of the United States could be started with the money in the treasuries of labor organizations. The proposal was rejected without debate on the recommendation of the Committee on Resolutions.[1]

The mere possibility of starting labor banks with the funds available in union treasuries seems to have suggested this resolution. No record of any consideration at this time of either the purposes or the dangers of such enterprises exists. Except a proposal that the Executive Council of the Federation should be authorized to consider and organize a bonding company, no other resolution proposing financial enterprises is recorded until 1913. In the 1912 convention, however, the fraternal delegates to the British Trades Union Congress mentioned in their report that the Congress had approved a plan submitted by its Parliamentary Committee for the establishment of a bank con-

[1] American Federation of Labor, *Report of Proceedings of the Twenty-fourth Annual Convention*, 1904, pp. 140-1, 157-8; *see also* William Green, "What Labor Thinks of Its Banks," *American Bankers' Association Journal*, April, 1927, pp. 732, 753.

trolled by the unions. As a brief item of information in a long report, no discussion of this development followed.[1]

In 1913 a proposal to investigate the advisability of an insurance department in the Federation was adopted without discussion.[2] A year later, however, the subject of labor banking received some attention when it was proposed that the Executive Council prepare some plan of cooperation for the establishment of a bank "for the handling of all moneys of the various national and international unions to the end that the workers' money may be used for no other cause except the furthering of the conditions of the workers." The reason proposed for such action was that the existing method of handling union finances enabled the use of workers' money in an indirect way to defeat the purposes of their organization. For the first time before a Federation convention, a definite purpose for starting a labor bank was thus stated. After an unfavorable report by the Committee on Resolutions, which was opposed by the proposers of the resolution, the proposal was rejected by a vote of 75 to 31.[3]

Four years later, during the War, another delegate suggested labor banking as a means of safeguarding the use of labor's funds. Since government bonds were used as a basis for the organization of national banks, it was proposed, the Federation should "urge every workman to buy Liberty Bonds, establish national banks under the present law and endeavor to secure the amendment of the present statute so as to make a national bank a more democratic institution." The only part of this resolution which survived was that urging the purchase of Liberty Bonds.[4]

[1] American Federation of Labor, *Report of Proceedings of the Thirty-second Annual Convention*, 1912, p. 197.

[2] American Federation of Labor, *Report of Proceedings of the Thirty-third Annual Convention*, 1913, pp. 251-2, 269.

[3] American Federation of Labor, *Report of Proceedings of the Thirty-fourth Annual Convention*, 1914, pp. 290, 462-3.

[4] American Federation of Labor, *Report of Proceedings of the Thirty-seventh Annual Convention*, 1917, pp. 200, 399.

Undaunted, the same delegate in the following year proposed another resolution which premised the control of capital by bankers as a reason for investigating the possibility of making national banks, "banks of the people". With slight changes, this rather indefinite proposal was adopted.[1]

It was not until after the first labor bank had come into existence and plans for one or two more were under consideration that the subject of labor banking was again considered by the Federation in convention.[2] A passing interest had been shown in a Federation insurance department, but this was by no means as novel an enterprise as the initiation of a bank.[3] For fifteen years before the labor banking movement got under way, the Federation had cautiously rejected the idea whenever it had been expressed on the convention floor. No forum for the discussion of its merits or demerits was provided by the conservative leaders, who realized the dangers of diverting the funds and energies of the movement into untried channels. It was outside the counsels of the Federation, therefore, that one must look for the more significant considerations of this new form of trade union enterprise.

### C. WITHIN THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS

The Brotherhood of Locomotive Engineers was the pioneer as well as the active leader in promoting the labor banking movement. The wealth of the Brotherhood, coupled with the ambitions and independence of both its officers and its rank and file, encouraged it to proceed vigorously in a field left untouched by the more cautious leaders of the Federation. The War delayed the launching of their system, but the idea had

[1] American Federation of Labor, *Report of Proceedings of the Thirty-eighth Annual Convention*, 1918, pp. 188, 244.

[2] *See* Chapter VI, pp. 125*ff*.

[3] *cf.* William Green, "What Labor Thinks of Its Banks," *American Bankers' Association Journal*, April, 1927, pp. 732, 753.

been growing in the minds of Brotherhood officers and members since 1912. In the Harrisburg convention in the latter year, a resolution proposing the organization of a Brotherhood bank was introduced by one of the delegates. Even before the convention, several members had urged the initiation of a bank to mobilize the financial power of the Brotherhood membership. On the eve of the convention, it was later reported, one member had published in a Texas paper a plea for such a bank, which was copied by many other papers throughout the country. The resolution was promptly rejected by the convention, however, and its proposers were considered impractical enthusiasts.[1]

During the next three years, the idea of a Brotherhood bank found increasing support among the rank and file of the organization. Stone, the grand chief of the Brotherhood, became enthusiastic as to the possibilities of such an institution. A headquarters bank in the Brotherhood's building in Cleveland, which had been built in 1910, seemed both appropriate and desirable. The Cleveland headquarters was already handling large sums of money in its various operating and beneficial departments.

Probably due to Stone's interest in the proposal, a resolution to authorize a bank was given a more favorable reception when it was presented to the convention in May, 1915. This resolution was referred to a committee of the convention and on this committee's recommendation, the grand chief and the advisory board were authorized to organize a bank when conditions warranted. The encouragement of savings on the one hand and the prestige of the Brotherhood on the other seem to have been in the minds of those sponsoring the idea.[2]

Although information on banking was gathered by the officers of the Brotherhood during the next four years, little was

[1] *Locomotive Engineers Journal*, August, 1925, pp. 577ff.
[2] *ibid.*

done to draw up plans for a bank or to propagandize the idea. Conditions were too unsettled during the War period to afford time or attention for labor banking and it was not until the latter part of 1919 that Stone's interests were again directed toward the enterprise. The high cost of living had stimulated his interest in cooperative activities. Plans for an impressive headquarters bank became associated in his mind with those for advancing the cooperative movement.[1]

### D. WITHIN THE AMALGAMATED CLOTHING WORKERS

Another union outside the American Federation of Labor was considering the possibilities of labor banking in the months following the close of the War. To the Amalgamated Clothing Workers, under the guidance of their president, Sidney Hillman, the cooperative aspects of such an enterprise had become keenly interesting. Other cooperative activities, also, were being considered. It was not until 1920, however, that enthusiasm for a bank became pronounced among the rank and file.

The report of the General Executive Board to the Amalgamated convention of May, 1920, included a report of the union's delegates to the recent All-American Farmer-Labor Cooperative Congress.[2] It was announced, also, that a movement was on foot in New York to organize a cooperative bank and that, along with Hillman, members of the organization had taken the initiative in this project. A credit union had been organized, it was reported, by the members of the New York Clothing Cutters' Union. Appended to the report were articles on cooperation by Dr. James P. Warbasse, president of the Cooperative League of America and by Solon DeLeon.[3] Al-

[1] *cf. Locomotive Engineers Journal*, August, 1925, pp. 577*ff*. For later developments in the organization of the Cleveland bank, *see* Chapter II, pp. 18-22.

[2] *See* p. 13.

[3] Amalgamated Clothing Workers of America, *Report of the General Executive Board*, 1920, pp. 210-15, and appendix.

together, the stage was set for an enthusiastic consideration of the officers' proposals that plans for a bank should be approved.

As a further means of arousing interest in cooperative credit, Dr. W. F. McCaleb, who had assisted in the formation of the New York credit union, was asked to address the convention. Dr. McCaleb did not confine his talk to credit unions but enthusiastically prophesied the growth of cooperative commercial banks.[1]

Later in the convention, a large "Committee on Cooperatives" made an enthusiastic report. The participation of the Executive Board in the cooperative movement and the efforts to organize cooperative banks were approved. After some debate and a stirring speech by Hillman, the report of the Committee was overwhelmingly adopted.[2]

Through the door of cooperation and with the careful but enthusiastic guidance of its officers, the Amalgamated thus entered the labor banking movement. It was in Chicago rather than in New York that the actual plans for a bank first got under way, but in both cities the unsettled conditions in the clothing industry following 1920 delayed the opening of banks for more than two years.[3]

### E. WITHIN THE COOPERATIVE MOVEMENT

The idea of labor banking took but little root within the American cooperative movement in the years following the War. The proponents of cooperation were too busy encouraging the extension of consumer cooperation as a defense against the high cost of living to spare much thought for banking. The two forms of banking which they usually considered, when refer-

[1] Amalgamated Clothing Workers of America, *Convention Proceedings*, 1920, pp. 272-5.

[2] Amalgamated Clothing Workers of America, *Convention Proceedings*, 1920, pp. 313-15, 319-22.

[3] *See* Chapter II, pp. 27-29.

ence was made to this field of enterprise, were the type developed in Europe on the part of wholesale cooperative societies for their own needs, and the smaller cooperative credit union. Both forms met with the hearty approval of the American supporters of consumer cooperation.[1] The idea of a national or state bank owned by trade unions or farmers and doing an ordinary commercial and savings business came to them largely as a reflection of the enthusiasm of the labor leaders proposing such institutions.

A mention of the possibilities of large, joint-stock banks controlled by labor appeared in an article in *Co-operation*, the monthly journal of the Co-operative League of America, in August, 1919. Reference was made to the fact that workers' savings were being used in America in the interests of capitalists, and even, it was suggested, to hire strikebreakers. The banks of the large cooperative societies in Europe gathered workers' savings for use in labor's interest. Workers' control of their capital was essential if labor was to save itself from slavery, it was concluded. "The bank, owned and controlled by the trade unions even though not co-operative, has possibilities; but there is the danger that it may become a purely capitalistic institution." The most valuable bank, the article continued, was that which loaned money to cooperative societies only. Legislation was needed in order that cooperative banks without share capital could be organized, banks in which profits would be returned to those doing business with the bank, and not to absentee stockholders.[2]

It can be seen from this expression of opinion, which can be considered as representative of the views of those most active

[1] *cf.* "Co-operative Banking," *The Co-operative Consumer*, November, 1918, pp. 162-3; "Educating the Workingman's Dollar," *Co-operation*, May, 1919, pp. 66-7.

[2] "Workers' Control of Workers' Capital," *Co-operation*, August, 1919, pp. 114-15.

in advancing cooperation, that labor banking when considered was approved with many reservations. To these followers of the English and Continental precedent, banking was a means of advancing cooperation, rather than an end in itself.

It was this atmosphere of limited and cautious interest in labor banking which two vigorous leaders of organized labor, Stone and Hillman, sought to change into one of approval and support. In November, 1919, a joint conference of various labor organizations, farmers' associations, and cooperative societies was held in Chicago. Samuel Gompers, who had been invited to represent the American Federation of Labor, sent an expression of sympathy for the cooperative movement and his regrets at being unable to be present. An "All-American Farmer-Labor Co-operative Commission" was elected and a resolution adopted calling a cooperative convention for February, 1920.[1]

When the convention took place on February 12, 13, and 14, 1920, it was attended by progressive leaders of the groups named in the Commission's title, but it was not a representative body elected by these groups. Labor was represented principally by Stone of the Engineers and Hillman of the Amalgamated Clothing Workers. It was before this gathering that these two leaders presented their proposals for labor banks. The idea made a marked impression on those in attendance, and on Stone's suggestion a committee on banking was appointed. This committee included Stone and Hillman among its members, and had as its secretary Dr. F. C. Howe, who had carefully prepared a plan for a labor bank for presentation to the convention. It was the purpose of the committee to gather information on labor banking and to aid in disseminating ad-

[1] *Co-operation*, January, 1920, p. 14; Amalgamated Clothing Workers of America, *Report of the General Executive Board*, 1920, p. 210.

vice for those forming such institutions. It established its headquarters in Washington, with Howe actively in charge.[1]

Although the All-American Farmer-Labor Co-operative Congress served to air the views of Stone, Hillman, and Howe on labor banking and to set up a more or less representative committee to propagandize the new movement, it is highly probable that the Engineers and the Clothing Workers would have proceeded with their plans for labor banks with little if any alteration if this Congress had never been held.[2] The tie-in with the cooperative movement brought about was more apparent than real and the contacts made with the farmer groups were largely short-lived. Stone's plans for an impressive joint-stock bank in Cleveland had progressed too far to be influenced more than superficially by the views of those interested in more authentic forms of cooperative credit institutions. Hillman and the Amalgamated group were much more open to influence, since their concept of cooperative endeavor was closer to that of the followers of European precedent.

Three names of men outside the labor movement appear frequently in the early history of the labor banking movement. Dr. W. F. McCaleb and Dr. F. C. Howe have already been mentioned. Both became interested in labor banking through their enthusiasm for cooperative credit. The former had been an

[1] "The Farmer-Labor Co-operative Congress," *Co-operation*, March, 1920, pp. 44-5; *Locomotive Engineers Journal*, March, 1920, pp. 237-47; Amalgamated Clothing Workers, *Report of the General Executive Board*, 1920, pp. 210-14. For Dr. Howe's plan *see Co-operation*, July, 1920, pp. 104-5. This plan is probably the first definite description of the features and functions of a labor bank. While much influenced by the author's interest in the plans for the Engineers' Cleveland bank, it offers many contrasts in purpose and detail to that institution as finally organized. Notably, the important place given the promotion of cooperation and aid to farmers, profit sharing with borrowers as well as with depositors, the encouragement of credit unions, and the limitation of dividends to six or seven per cent differentiate Howe's proposals from the plans later followed in forming labor banks.

[2] *cf.* "The Farmer-Labor Co-operative Congress," *Co-operation*, March, 1920, pp. 44-5.

active proponent of credit unions and, while experienced in banking, was more interested in the theory of people's credit institutions. It was McCaleb who became the first manager of the Cleveland bank, where he concentrated his efforts on providing for early payment of cooperative dividends to savings depositors. He was later active in the organization of the New York Federation bank and advised or participated in the promotion of several other labor banks throughout the country.[1]

Dr. Howe had long years of study of social movements behind him when he became interested in labor banking. Without banking experience, his contribution to the movement became that of propagandizing the need for cooperation and the use of labor's funds in its own interests. For a year before the opening of the Engineers' Cleveland bank, however, he gathered information on cooperative financial institutions and prepared plans for the bank.[2]

Another proponent of labor banking was S. D. Scudder, a banker of many years' experience. Long interested in labor and in its means of self-advancement, Scudder came into contact with Stone while the Cleveland bank was being planned. Although invited to do so, he did not become active in this bank until 1923 when for a few months he succeeded McCaleb as executive officer. On account of a disagreement with Stone, Scudder discontinued his connection with the Engineers, after serving for a year as executive officer of the New York Engineers' bank. It was in his participation in the promotion of the Paterson and Newark labor banks that Scudder's contribution to the movement was most significant, although he was interested in banking enterprises in several other cities.

With this background of influences, preliminary steps, and personnel, the labor banking movement got under way in 1920.

[1] *See* Chapter II.
[2] *cf.* F. C. Howe, *The Confessions of a Reformer*, especially pp. 332-3.

Although the Engineers and the Clothing Workers were the unions most active in promoting the movement, the Machinists in Washington became the first to open a bank. Local circumstances were largely responsible for the Machinists' priority, and it was not until the Cleveland bank was opened in the fall of 1920 that the movement began to gain momentum.

CHAPTER TWO

# *THE GROWTH OF THE MOVEMENT*, *1920–1926*

## A. THE FIRST LABOR BANKS

ON MAY 15, 1920, the Mount Vernon Savings Bank with a capital of $160,000 and surplus of $40,000 opened for business in the Machinists' Building in Washington, D.C. Although this bank was the first labor bank opened in this country, the circumstances of its establishment did not lend themselves to the public notice received by the Engineers' Cleveland bank which opened several months later.

The Machinists' officers had come to the decision to open a bank only after a plan for a branch bank in their building had been found impossible. With ground floor space in a new building to rent and an important interest in the Washington Commercial National Bank, a proposition to open a branch of the latter bank in the Machinists' Building was considered mutually desirable. On investigation, however, it was found that national banking regulations did not permit such a branch in Washington. The desire to have a bank as tenant and the experience and affiliations of Johnston and Davison, the president and secretary-treasurer of the union, with the Commercial National Bank led to the opening of a separate but allied bank. As an alternative project, the new labor bank did not become the focus of the enthusiastic publicity which the Cleveland Engineers' bank was given by its founders in the ensuing months. The fact that the Mount Vernon Savings Bank was sponsored by national officers of the International Association of Machinists rather than by the organization itself also lessened the attention it received as a labor institution. Along with Johnston and Davison of the Machinists' organization,

R. G. Donaldson, president of the Commercial National Bank, and other friendly bankers and business men in Washington brought the bank into existence. It was only by grouping the shares owned by the Association and the national officers interested that a majority control of the bank was in labor hands at this time. Even among the national officers of the machinists' union there was much hesitation as to the founding of the bank. The rank and file of the union outside of Washington were neither active nor concerned in the new enterprise. The bank was a local affair.

The officers of the machinists' union were quite satisfied to move slowly in the experiment. As a bid for neighborhood business, which might develop more slowly should the bank assume a class character, the name *Mount Vernon Savings Bank* was chosen rather than one indicating the relations between the bank and the union. The absence of more than a bare majority control by the machinists' national organization made inappropriate the use of the union's name in that of the bank. The noncommittal character of the name of the bank was without doubt a further reason for the limited attention which the first labor bank received in the early months of its existence. It was not until 1923 after the publication of Boeckel's book on *Labor's Money* that the Mount Vernon bank established itself in the public mind as the first labor bank.

The inauguration of the Brotherhood of Locomotive Engineers Co-operative National Bank in Cleveland gave the first real impetus to the labor banking movement. The bank was entirely a labor institution. The Brotherhood had considered the establishment of a bank in the convention of 1915, so that those active in the organization were aware and interested in the development even before 1920.[1] In October, 1919, Grand Chief Stone and First Assistant Grand Chief Prenter had been

[1] *See* Chapter I.

appointed by the Advisory Board of the Brotherhood a committee to draft a definite plan for the organization of the bank. In June, 1920, the board discussed in detail the plans for a bank and decided to proceed with the necessary steps. With the help of Dr. Frederick C. Howe and Dr. Walter F. McCaleb, preparations were made for opening the bank.[1]

In the midsummer of 1920, a circular announcing the prospective opening of the bank was sent to all members of the Brotherhood of Locomotive Engineers. A charter for a *Brotherhood of Locomotive Engineers Co-operative National Bank* had been obtained from the Comptroller of the Currency. Capital stock of $1,000,000 was to be issued and on the advice of the Comptroller the price per share was set at $110 so that a paid-in surplus of $100,000 would be possible. Stock subscriptions were limited to members of the Brotherhood, who in applying for stock signed an agreement to resell their shares to a purchasing committee of the bank in case disposal were necessary. To further insure the exclusive control of the bank by the Brotherhood, the latter organization purchased fifty-one per cent of the stock in its own name. By October 15, 1920, the forty-nine per cent of the capital stock offered to members was oversubscribed by more than $300,000. The loyal and prosperous members—or at least some two thousand of them—had quickly grasped the opportunity to support the promising experiment.[2]

Within three months after the assembling of capital had begun, the bank was ready for opening. On October twenty-

[1] *Locomotive Engineers Journal*, August, 1920, pp. 707-9; and August, 1925, pp. 577-8; Frederic C. Howe, *The Confessions of a Reformer*, pp. 332-3; Brotherhood of Railway and Steamship Clerks, *Convention Proceedings*, 1922, pp. 16-25.

[2] *Locomotive Engineers Journal*, August, 1920, pp. 107-9, December, 1920, pp. 1010-12, and April, 1927, pp. 251-2, 311; *The Advance*, August 6, 1920, p. 5; Leroy Peterson, "National Bank Owned by a Labor Union," *Bankers' Magazine*, July, 1922, pp. 51-4; *New Republic*, February 7, 1923, pp. 268-9.

fifth the rules of the bank were adopted. On November first the bank was formally opened in quarters which had been made ready in an old building across the street from the Engineers' headquarters. Capital of $651,000 had been paid in and the remainder was soon forthcoming.[1]

The deposits received during the first day of business by the new bank reached the modest sum of $50,971, but two months later one million had been reached. A spectacular growth soon set in which can be best shown by the total deposits listed in the following statements:[2]

| | |
|---|---|
| December 29, 1920 | $ 1,009,880 |
| June 30, 1921 | 4,754,504 |
| December 31, 1921 | 7,883,450 |
| June 30, 1922 | 11,633,267 |
| December 29, 1922 | 15,480,657 |
| June 30, 1923 | 19,587,898 |
| December 31, 1923 | 21,453,324 |
| June 30, 1924 | 26,016,688 |

The sources of these large deposits were but in small part the members of the Brotherhood. People of all classes, but more especially the small-salaried class in Cleveland, were interested in the new bank and supported it with their deposits. Mail deposits, also, poured in from railroad men throughout the country. The unique features of the bank set it apart from the run of old-line institutions.

The name of the bank, *Brotherhood of Locomotive Engineers Co-operative National Bank*, crystallized in the public mind the two features of the bank which attracted most attention. The Brotherhood was thus forcefully identified with its offspring. In addition *Co-operative* struck a pleasing chord.

[1] *Locomotive Engineers Journal*, November, 1920, p. 948; *Industrial and Labour Information* (Geneva), May 4, 1923, pp. 24-6; James C. Young, "Labor Banks," *Savings Bank Journal*, June, 1923, pp. 209-11.

[2] *See* Appendix B, Part I.

The repeated announcement that this meant limitation of stockholders' dividends to ten per cent on capital stock, and profit sharing with savings depositors, proved to be one of the most effective advertising features discovered in recent years of banking. The payment of a profit sharing dividend in 1921 and thereafter through the first half of 1925 made good the promise and provided a repeated stimulus to new business.[1]

The spectacular growth of the Engineers' bank was due in part to two dynamic but conflicting personalities. With Stone as president of the bank and grand chief of the Brotherhood, the respect accorded the successful labor leader brought support from the railroad labor group. Stone was a man of domineering temperament who demanded the unflinching support of his constituents. His success in trade union activities during the War created an atmosphere of optimism about the new financial venture to which he turned his energies. His lack of knowledge of banking was covered up in the onrush of new business.

In contrast to Stone was McCaleb, the vice-president and executive officer of the bank. McCaleb was essentially a banking theorist and was partially responsible for the introduction of cooperative features in the bank's policies. His banking experience had included activity in commercial banking in Texas and service as Assistant Federal Reserve Agent in the Dallas Federal Reserve Bank. More recently, his theoretical and altruistic bents had caused him to enter upon a campaign for the extension of credit unions as a protection to working people.

McCaleb's interest in the Cleveland bank was that of an inventor demonstrating a new machine. His enthusiasm, energy, and singleness of purpose towards the goal of revolutionizing banking for the benefit of the working class suggested that emphasis of the end over against the means which marks

[1] *See* Appendix B, Part I.

the reformer. In the urge towards the new banking, caution became secondary and the energy which otherwise might have been used in warding off difficulties was spent in sweeping over them.

As long as two such personalities were at one in advancing the cause of the new day in banking, the movement was bound to attract attention. Stone lent the prestige and support of a large, prosperous, and well-disciplined labor organization, while McCaleb made this prestige and support effective in a new financial mechanism which attracted deposits at the rate of a million a month and turned out apparent profits almost immediately at a corresponding rate. Both Stone and McCaleb were able through their experience as organizers to put the results of their efforts effectively before the public, and especially, the trade union public.

### B. THE SPREAD OF THE MOVEMENT

The year 1921 was one of business depression. Trade unions were on the defensive. The open shop drive which was being carried on throughout the country had enlisted the aid of bankers. This liaison of financial institutions, and more especially those with labor funds on deposit, with the enemies of organized labor was felt acutely by trade union executives wherever it took place. The reaction on their part was that labor must remove its funds from open shop banks. The establishment of labor cooperative banks was the next step proposed. Even before the rapid growth of the Engineers' bank became common knowledge, this procedure had suggested itself to trade unionists distant from Cleveland.

The motives underlying the organization of the next labor bank were primarily those brought into play by the open shop movement. In Tucson, Arizona, the local banks supported the local chamber of commerce in the movement and, according to

reports, refused to finance contractors using trade union labor. As a defense measure, the central labor organization of the city along with local union officers and members sponsored a labor bank.

The influence of the cooperative movement was shown in the method used in financing the bank. The Tucson Co-operative Association was formed, and the stock of this organization was sold to the labor group of the community. The voting rights of the stockholders of the Association were limited to one vote to each stockholder. The Association, in turn, purchased the stock of the newly formed bank. The bank opened for business on May 21, 1921, with $70,000 capital.

Although an engineer of the community was one of the most active sponsors of the Tucson bank, the Brotherhood of Locomotive Engineers itself did not open a second labor bank until the fall of 1921. By this time the rapid rise of the Cleveland institution had stimulated the interest of the Brotherhood's membership in having banks elsewhere and had increased the self-confidence and ambition of its officers. The local group of engineers of Hammond, Indiana, was the first to convince the Cleveland officers of the expediency of expansion.

The situation in Hammond made the establishment of a labor bank more possible than in most cities. In 1920 a banker, A. J. Marko, who possessed both working-class sympathies and many years experience, had opened a small state bank. When the engineers of the city decided to push for a labor bank, it was natural for them to turn to Marko for help. After conferences were held, it was decided to send a committee to Cleveland to ask that the Brotherhood take over the controlling interest in Marko's bank. Since both bank and banker were available, Stone, McCaleb, and the other Cleveland officers were soon convinced of the feasibility of the plan. In October negotiations were completed whereby the capital of the existing

bank was increased from $30,000 to $50,000 and a bare majority of the stock was purchased by the Brotherhood. Each of the former stockholders was allowed three shares in the new bank and the remainder was offered to local brotherhood members, locals of various labor organizations, and friendly persons. The stock was oversubscribed and it was necessary to make allotments.[1]

The next addition to the Engineers' group of banks came in April, 1922, when on McCaleb's advice the newly formed Brotherhood Holding Company purchased a seventy per cent interest in the stock of a bank in the Nottingham district of Cleveland. This bank was in poor shape so that the Holding Company was able to obtain the stock at what seemed a bargain price. Incorporated in 1901 when Nottingham was a separate village, it had built up a community business. The Brotherhood expected to attract deposits from the Brotherhood members and other railroad employees residing near the Collinwood railroad shops in this vicinity. The bank was considered more as a neighborhood branch of the downtown bank than as a separate institution. The bank's capital of $75,000 was permitted to remain unchanged.

Meanwhile in Philadelphia a most spectacular enterprise had been organized by the Central Labor Union of that city in alliance with a financier, Wharton Barker. It was the idea of the latter that a labor bank could be established under a trust agreement rather than the usual state charter, with the advantage that such a bank could have almost unlimited powers and be exempt from state bank examination. It was reported that while the new bank would be located in Philadelphia, branches would be established in many other cities.[2]

[1] *See Locomotive Engineers Journal*, August, 1925, p. 587.

[2] *cf. Bankers' Magazine*, May, 1921, pp. 716-18; Colorado State Federation of Labor, *Convention Proceedings*, June, 1923, pp. 34-5; H. K. Herwitz, "Three Years of Labor Banking," *The Advance*, April 13, 1923, p. 9.

The declaration of trust under which the bank was organized was made on July 5, 1921. The title given the institution was the *Producers and Consumers Bank.* The object of trust was stated as follows:[1]

> "The object of this trust is to carry on a Cooperative bank and thereto to conduct not only the banking business but also all other financial undertakings, such as the making of loans, large or small, unsecured or secured by mortgages or otherwise, secured upon industrial enterprise; the construction and operation of lines of transportation, both of passengers and goods; the operation, management and control of agricultural, industrial and commercial enterprises and the conduct of any and all lawful business as fully and as largely as any individual, firm or corporation, might, could or would do."

The capital of the bank was placed at $100,000,000 in the declaration of trust and shares were to be sold at $10 each. Dividends were to be limited to eight per cent cumulative but other than this no cooperative features appeared in the document. The original trust agreement was executed by two men but at a subsequent meeting eight other trustees including several labor leaders were chosen. Stockholders were not to receive voting rights until the third annual meeting.[2]

The unusual powers of the trustees under the agreement and the absence of truly cooperative features aroused the criticism of McCaleb, Howe, and others of the Co-operative League, which was taking an active interest in the extension of labor banking at this time. The protests of this group were disregarded and when pressed were countered by charges of capitalistic bias. The trustees sought to defend their position before the local labor movement.[3]

[1] Facsimile of declaration of trust on file in Industrial Relations Section.
[2] *ibid.*
[3] *See* news release of The Co-operative League of America, May 12, 1925.

Under Pennsylvania laws a banking institution established in this manner could do business without state examination only after the deposit of a $100,000 bond with the proper authorities. Although the Central Labor Union authorized its committee on banking to proceed with the organization of the bank in July, 1921, sufficient capital to meet the requirements for opening was not collected until several months later. On February 1, 1922, the bank opened for business. Its capital never expanded much beyond $200,000.[1]

By 1922 the influence of the success of the Engineers' Cleveland bank was making itself felt in many parts of the country. Especially among railroad workers, and more especially the engineers, the news of the Cleveland bank published in the Engineers' journal and in circulars was much discussed at division meetings. In many communities cooperative stores were in operation. The more ambitious leaders soon became convinced of the advantages which would be obtained should cooperative banks be organized.

It was natural that the enterprising trade unionists on the West Coast should soon be represented in the labor banking movement. In San Bernardino, California, a group of railroad men under the leadership of a towerman, a local business man, and a general chairman of the Brotherhood of Locomotive Engineers on a railroad in the region set about to establish a new bank. On account of the opposition of local business interests to the issuance of a national charter, the promoters secured an option on the majority stock of an existing state bank. The apprehension aroused by continued local opposition led to a hurried call for help from Cleveland. McCaleb, who was keenly interested in the extension of labor banking, made a special trip to San Bernardino. Through his help and some

[1] *See* Appendix B, Part II.

financial assistance from Cleveland, the promotion was consummated. The stock in the bank was sold to a large number of local unionists including both railroad workers and other labor groups.[1]

### C. THE AMALGAMATED BANKS

Although the local unions of organizations affiliated with the American Federation of Labor had taken part in the establishment of early labor banks, the Machinists were the only group in the Federation to sponsor a bank as a national union up to this time. Even in their case but a few national officers were active in starting the bank. The hesitancy of other national trade unions was due in a measure, at least, to the conservative attitude toward labor banks taken by President Gompers and the Federation. The Engineers, under the leadership of Stone, were not influenced by affiliation with the Federation. The Amalgamated Clothing Workers of America, likewise independent of Federation leadership or influence, were very much inclined toward extending the scope of trade union activity.

The 1920 convention of the Amalgamated Clothing Workers had approved the formation of cooperative institutions, including banks, and had authorized its executive board to proceed with such plans. In the fall of 1920 before the Engineers' bank was opened in Cleveland, the Chicago Joint Board of the Amalgamated had authorized a bank similar to the Cleveland enterprise. Howe, who was secretary of the All-American Co-operative Commission and an advisor of the Engineers in their banking plans, had conferred with the Joint Board and had contributed a series of articles in the union's official journal. Before the steps necessary to organize a bank

[1] *See* Brotherhood of Railway and Steamship Clerks, *Convention Proceedings*, 1922, pp. 16-25.

could be taken, however, the energies of the union had become absorbed in the more pressing problems brought on by the industrial disturbances of 1920 and 1921.[1]

It was not until 1922 that the plans for a bank were completed. Although the Amalgamated was strongly represented in both New York and Chicago, circumstances at that time were more favorable for the organization of a bank in the latter city. Permission for a bank was obtained from the state authorities in April, 1922, and a capitalization of $200,000 with $100,000 paid-in surplus was planned. The cooperative principles applied in the Cleveland bank were adopted. Stock subscriptions, which were limited to Amalgamated members, came in slowly at first on account of unemployment in the industry, but were later oversubscribed.[2] The national organization together with the Chicago Joint Board retained the controlling block of stock. The bank opened for business under the management of an experienced banker on July 1, 1922.

A few months after the opening of the Chicago bank, the officers of the Amalgamated turned their attention to plans for a bank in New York. Under the authority granted by the convention of 1922 and with the help of Dr. Leo Wolman of the Amalgamated research department and R. L. Redheffer, president of the Chicago bank, steps were taken to obtain a charter from the banking authorities of the state. The success of the Engineers' bank in Cleveland and of the Chicago bank was considered sufficient to indicate that New York would be a promising field.[3]

The bank was incorporated on March 16, 1923. Stock was sold to members on installments at $150 a share. Two-thirds

[1] *The Advance*, October 15 and 22, 1920, and *passim*; Amalgamated Clothing Workers, *Documentary History*, 1924-26, pp. 145-59.

[2] Amalgamated Clothing Workers, *Documentary History*, 1920-22, pp. 238-9; *The Advance*, May 26, pp. 1, 2, and June 2, 1922, p. 2.

[3] *See The Advance*, January 19, 1923, and *passim*.

of the stock was retained by the Amalgamated as an organization. The Chicago Joint Board, with funds to invest, shared with the national organization the ownership of this stock. The same cooperative features which appeared in the Chicago bank were introduced in New York.[1]

When the bank opened on April 14, 1923, the occasion was made a holiday by thousands of Amalgamated members, who paraded and attended the mass meeting and band concert arranged in honor of the occasion. Over four hundred thousand dollars in deposits were received the first day. Well-directed publicity among a highly organized and sympathetic rank and file had resulted in a precedent which other organizations sought to follow when later labor banks were opened.[2]

### D. THE ENGINEERS' SYSTEM EXPANDS

In less than a year from October, 1922, to August, 1923, the Brotherhood of Locomotive Engineers, largely through the Brotherhood Investment Company, a ten million dollar subsidiary corporation, became a heavy stockholder or sponsor of four newly formed labor banks. The usual situation in these cases was that a local group of trade unionists headed by one or more engineers would become interested in plans for a local bank. With enthusiasm more plentiful than funds or experience, the leaders would make a plea to the Brotherhood to come to their aid. The Investment Company usually provided a majority of the investment and was able to choose the directors for the bank from among the local Brotherhood members or the officers at Cleveland. The minority interest held by the local unionists and the local enthusiasm developed were relied upon to provide the stimulus for labor deposits.

The first of these four additions to the Engineers' chain was

[1] *See The Advance*, January 19, 1923, and *passim*.
[2] *The Advance*, April 20 and 27, 1923.

the Federated Bank and Trust Company in Birmingham, which was initiated in 1922. The engineers living in this city under the leadership of J. S. deHoll, the secretary of a local division of the Brotherhood, became convinced that the success of the Cleveland bank could be repeated in Birmingham. The officers of the Alabama State Federation of Labor also became interested in the movement for a bank and approved the project.[1] To insure the financial success of the promotion, assurances were obtained from the Brotherhood Investment Company that if slightly less than half of the stock in the bank were subscribed locally, the company would take over the controlling block. Through the efforts of deHoll approximately $30,000 worth of stock was sold locally to trade unionists and friendly business men. Although this was far short of the agreed proportion, the Brotherhood Investment Company was too much involved in the endeavor to refuse to complete the subscription from its own funds. The capital of the bank was set at $125,000 with $12,500 surplus, although $500,000 had been the figure contemplated. Business was begun October 2, 1922.

The next Brotherhood bank to be opened was the Transportation Brotherhoods National Bank of Minneapolis. The demand for this bank came not only from the local engineers but from the conductors, firemen, and trainmen as well. The Cleveland officers offered to purchase fifty-one per cent of the bank's stock if the remainder were taken up locally. Through the efforts of W. P. Kennedy, an engineer, the minority stock was sold on installments among the members of the local brotherhoods. The bank opened for business December 18, 1922, with a subscribed capital of $200,000 and surplus of $20,000.

The circumstances of the next addition to the Engineers'

[1] Alabama State Federation of Labor, *Convention Proceedings*, 1922, pp. 101-2 and 1923, pp. 15 and 25-7.

chain were unusual. The engineers of Three Forks, Montana, a small division town on the Chicago, Milwaukee, and St. Paul Railway, had invested in the stock of a small bank in that place. The depression in agriculture which was affecting Montana banks seriously at this time had brought on the failure of this enterprise. A group of railroad men of the town, interested in the bank, with much assistance from Cleveland, reorganized the bank under the name of the *Labor National Bank of Montana.*[1] Stock in the resuscitated institution was sold through personal canvass. The Brotherhood and the Brotherhood Investment Company made heavy loans to help the bank carry the nonliquid paper which in part, at least, was a heritage from its defunct predecessor. Serious losses later required the Brotherhood to take control of the bank for a period. The total capital of the bank was $25,000 and the surplus $5,000. Following reorganization, business was begun April 20, 1923.

The Minneapolis and Three Forks banks extended the Engineers' chain far into the Northwest.[2] The rank and file in this section were both enterprising and enthusiastic, and information concerning the new banks was carried along the railroad lines by the constantly moving members and system officers. It is not surprising, therefore, that the engineers of Spokane were the next to inaugurate a Brotherhood labor bank since the three great transcontinental railroads of the Northwest come to a focus in this city. The movement was spontaneous in emulation of the success at Cleveland. Pride in a Brotherhood which could build such a bank stimulated enthusiasm. The moving spirit was a Brotherhood leader in the region who gathered around him the more active group in local Brotherhood affairs. Application for a national charter was prepared early in 1923 and in the succeeding months subscriptions for the

[1] *Locomotive Engineers Journal*, August, 1926, p. 570.
[2] *See* map facing p. 32. Engineers' banks are indicated by designation "E."

capital of $200,000 and $40,000 surplus were obtained through personal canvass. Local support was greater in the case of this bank than in most of the Engineers' enterprises, for less than a quarter of the stock was taken by the Cleveland headquarters.

### E. THE AMERICAN FEDERATION OF LABOR UNIONS ENTER THE MOVEMENT

With the rapid extension of the Engineers' chain and the establishment of the Amalgamated banks in Chicago and New York, the movement had obtained too much headway for the American Federation of Labor to keep its constituent unions in the rôle of critical observers. Although the Machinists in Washington and various unions in Tucson had put American Federation of Labor unions into banking, the first bank which received the support of a wide cross section of this group was initiated in New York.

At the convention of the New York State Federation of Labor in 1921, two incidents took place which were of consequence in the movement for a labor bank. McCaleb of the Cleveland bank gave the delegates an enthusiastic talk on labor banks. A resolution presented by Peter J. Brady for the New York State Allied Printing Trades Council which called for the appointment of a committee to study labor banking was adopted. In speaking for the resolution, Brady emphasized the need for further knowledge and for great caution. Reference was made in the resolution to the fact that the American Federation of Labor had gone on record as favoring the socialization of credit and that cooperative banks were an effective means to this end.[1]

In the convention of 1922 a motion for the appointment of a committee which should investigate labor banks and report

[1] New York State Federation of Labor, *Convention Proceedings*, 1921, pp. 13*ff.* and 69*ff.*


Outline map used with permission of
McKinley Publishing Co., Philadelphia, Pa.

to the affiliated organizations at the earliest possible opportunity was approved, but was referred to the committee appointed in 1921. Not long after this reapproval of the principle of labor banking by the State Federation, the first public step toward the opening of a bank took place in New York City. Under the auspices of a joint committee made up of the banking committees of the State Federation, the New York City Central Trade and Labor Council and the New York City Building Trades Council, a conference of local union representatives was held the last week in November, 1922. Two hundred representatives attended the meeting. After a two-hour discussion, the proposal that New York City trade unions should organize a labor bank was approved. A joint committee with Brady as chairman and John Munholland as secretary proceeded with plans for the establishment of a bank.[1]

It was largely through Brady's activity and wide acquaintance in New York labor, political, and financial circles that the proposed bank opened for business on May 19, 1923, under a state charter as the Federation Bank of New York. Its capital of $250,000 and surplus of equal amount had been obtained largely through the subscriptions of approximately 110 national and local unions, their members, and friends. A first proposal for a two million dollar bank was found inexpedient for the time.[2]

McCaleb of the Engineers' bank in Cleveland was chosen as acting manager of the New York institution during the organization period. The cooperative features of limited dividends and profit sharing with savings depositors were announced as

[1] New York State Federation of Labor, *Convention Proceedings*, 1922, pp. 3, 31, 33; 1923, pp. 109, 111; 1926, pp. 57-9.

[2] *cf.* New York State Federation of Labor, *Convention Proceedings*, 1925, pp. 57-8; Harry W. Laidler, "The Forward March of Labor Banking," *International Trade Union Reveiw*, April-June and July-September, 1925, pp. 92-100, 220-26. *See also Locomotive Engineers Journal*, January, 1923, p. 37.

policies of the new bank. Strict limits were placed on both union and individual holdings. Restrictions placed upon the requirements for directorship and the resale of stock assured the continuance of control of the bank by unions affiliated with the American Federation of Labor.[1] The bank sought to secure its position as the "most representative" labor bank in the country.

During 1923 and the first part of 1924, the labor banking movement gained impetus rapidly.[2] At the close of 1922, ten labor banks were in existence. Five of these were affiliated with the Brotherhood of Locomotive Engineers and one more had received help from that organization and particularly from McCaleb. In 1923, eight more banks were added, of which but three were sponsored by the Engineers. In the first half of 1924, seven more banks brought the total in existence to twenty-five. Although but one of these seven was an Engineers' bank, the influence of the Brotherhood during the period was a great factor. The rapid growth of the Cleveland bank was being watched by active trade unionists throughout the country. The seeds of emulation which had been sown by Stone and McCaleb in previous years were slowly germinating into plans for banks in which the Engineers had no financial interest. An illustration of the effectiveness of such emulation is the development of the Telegraphers' bank.

At the convention of the Order of Railroad Telegraphers in May, 1921, on the request of the grand officers of the Order, McCaleb addressed the delegates on the advantages of labor banks. McCaleb's address eloquently supported the recommendation of Manion, the president of the Order, that a cooperative bank be established. A resolution from the floor of the convention likewise proposed a bank. The favorable report of

[1] *cf. Locomotive Engineers Journal*, January, 1923, p. 37; New York State Federation of Labor, *Convention Proceedings*, 1923, pp. 109, 111.

[2] *See* Charts, pp. 228 and 230.

the committee to which the matter was referred was adopted.[1]

Two years elapsed before the bank approved by the convention was ready for business. A year's delay was caused by the cautious requirements of the Comptroller of the Currency. As soon as a charter was obtained, however, a handsome bank building was purchased by the Order. Approximately a quarter of the $500,000 capital stock was sold through the union headquarters to members of the Order at a price to provide a $100,000 surplus. The remainder of the capital was furnished by the Order itself. By-laws were adopted which incorporated cooperative provisions similar to those of the model at Cleveland. The bank opened for business on June 9, 1923, the thirty-seventh anniversary of the Order. McCaleb of the Cleveland bank helped in the management of the bank until an executive officer was selected.[2]

The next labor bank to come into existence, the Pittsburgh Brotherhood Savings and Trust Company, was so much the expression of emulation of the Engineers' Cleveland bank that it was accepted as a link in the Brotherhood chain by some casual writers of the time. The Brotherhood soon found reason to deny this association, as the new bank was unfortunate from the first. While financially the Pittsburgh institution was at all times divorced from that in the near-by city, the fact that both Griffing and McCaleb of the Cleveland group addressed the mass meeting held in March, 1922, to formulate plans for the bank indicates at least a friendly interest.[3]

The plans for the Pittsburgh bank hung fire for many months. Two former railroad men were active in promoting the bank. Labor circles in Pittsburgh were sufficiently impressed by the success of the Cleveland bank, however, to make the

[1] Order of Railroad Telegraphers, *Convention Proceedings*, 1921, *passim.*
[2] *ibid.*, 1924, *passim.*
[3] *See Locomotive Engineers Journal*, April, 1922, p. 254.

moral support of a local institution spontaneous. Despite this favorable sentiment, funds were slow in accumulating and before the bank was opened on August 25, 1923, it was necessary to borrow on the pledges of stock purchasers to obtain sufficient funds for doing business. The capital of the bank was set at $125,000 and was supplied by trade unions, members, and friends of the labor movement in the district.

There is a striking similarity between the circumstances which surrounded the inauguration of the Clerks' bank, the next of the American Federation of Labor group, and those described above in connection with the Telegraphers' bank. In May, 1922, a year after his appearance before the Telegraphers' convention, McCaleb addressed the Clerks' convention at the invitation of their grand officers. According to McCaleb the earnings on Brotherhood funds could be much increased, and a bank would be easy to operate. A resolution authorizing a million dollar bank was adopted amid great enthusiasm. A headquarters building in Cincinnati which would house the bank was also authorized.[1] The Clerks entered upon two major enterprises on a wave of optimism.

A few months after the convention, the Clerks' officers called a conference of representatives of international unions with headquarters in Cincinnati. It was found that while other unions approved the principles of cooperative banking, they were either financially unable to assist in forming a bank or without authority to do so at the time.[2]

The Clerks proceeded with their plans alone. The capitalization of the bank was placed at $200,000 with $50,000 surplus rather than the more impressive amount authorized. Stock was

[1] Brotherhood of Railway and Steamship Clerks, *Convention Proceedings*, 1922, pp. 16-25, 271 and *passim*.

[2] *See* Brewery, Flour, Cereal and Soft Drink Workers, *Convention Proceedings*, 1923, p. 55.

sold to members of the organization throughout the country and to trade unionists and business men in Cincinnati. A majority control was retained by the Brotherhood. The cooperative features which had become usual were announced. On Labor Day, 1923, the headquarters building was dedicated and on December 15, 1923, the bank was opened under the title of *Brotherhood of Railway Clerks National Bank.*[1]

In the wave of enthusiasm for labor banks, the Middle West was soon to have another bank. St. Louis, Pittsburgh, Cincinnati, and Cleveland were all so close to Indianapolis that this city, with several national union headquarters, seemed a logical location for a bank. The impetus came from professional promoters, however, rather than the local labor group. The resulting institution was long handicapped by this lack of spontaneous support.

The first step taken by the promoters of the bank was an appeal to Stone for an Engineers' bank for Indianapolis. Stone refused this request on account of the unfavorable attitude which existed in the city toward union labor. Undaunted, the promoters allowed the local labor group to believe that Stone's lack of interest was due to his preoccupation with other banks. They secured the support of the city labor federation for their plan and as early as February, 1923, subscriptions were commenced for a million dollar bank. A ten per cent commission was a strong motive for the promoters in pushing the venture.

As months passed, the labor group interested became worried by the delay which was taking place in the organization of the bank while the promoters were accumulating commissions. They appealed to John L. Lewis, president of the United Mine Workers, as the leading trade unionist of the city to act as sponsor for the bank. Lewis agreed to serve in this capacity if

[1] *See Locomotive Engineers Journal*, January, 1924, p. 10; *The Advance*, September 21, 1923, p. 5.

he were given the right to choose the active head of the bank. This provision was accepted and Lewis selected his brother-in-law, F. C. Bell, an experienced and conservative banker, to take charge of the affairs of the prospective institution. The sale of stock was stopped and by partial return of nonlabor subscriptions which had been obtained in large blocks by the promoters, control of the bank by labor stockholders was assured. The bank finally opened for business on January 2, 1924, as the United Labor Bank and Trust Company. A year elapsed, however, before the capital stock of $225,000 was fully paid. The fixtures and lease for the bank were purchased out of capital, since no surplus had been obtained.

### F. FURTHER ADDITIONS IN THE EAST AND FAR WEST

Several more banks came into existence during the winter and spring of 1924 as the result of local enthusiasm. In New York, the International Ladies' Garment Workers opened a bank on January 5, 1924, after several months of preparation. Following approval of a bank in principle by a convention in 1922, definite plans were initiated in the spring of 1923 at a joint meeting of the officers of the International Union and its subdivisions in New York. The support of several other needle trades with headquarters in New York and of a local Jewish organization was obtained. With the aid of Morris Hillquit, the legal advisor of the International, organization work was completed.[1] The bank opened for business with a capital of $250,000 and a surplus of equal amount. The International and its subdivisions had furnished most of these funds.

At about this time in southern California a small group of promoters took it upon themselves to satisfy the local demand for labor banks. The bank which had been opened in San Ber-

[1] International Ladies' Garment Workers' Union, *Convention Proceedings*, 1924, pp. 142-5.

nardino in May, 1922, was paying dividends before it had been operating a year.[1] Cash dividends of fifteen and one-half per cent and a stock dividend of fifteen per cent announced in 1923 were sufficient to stimulate interest in labor bank stock in other cities of the region. The backers of the San Bernardino bank sought new opportunities for labor banks. In Bakersfield a local holding company was found to control a bank which was suffering from ill-advised loans. The promoters contracted to buy the holding company's stock in the bank with the expectation of resale to local trade unionists. Under pressure from the state banking department, it was agreed that the purchase payment should be used to replace bad paper in the bank. The promoters, in turn, assumed responsibility for any assessments which might be necessary and obtained a $50,000 bond from the holding company against such contingency. Committees of engineers, firemen, and conductors were formed to sell stock to local railroad men. As its remuneration, the promotion group received the difference between the price of $140 per share paid the holding company and $150 per share received from the labor subscribers. On February 2, 1924, the reorganized bank began operation under the new title of the *First National Bank in Bakersfield*. A majority of its capital stock of $100,000 was in labor hands and labor was heavily represented on its board of directors.

A somewhat different method was followed by the same group of promoters in starting the Los Angeles Peoples National Bank, which opened two months later on April 6, 1924. The Los Angeles Central Labor Council was interested in the promotion, and stock was sold on a high-pressure, commission basis. A capital of $500,000 and $125,000 surplus were accumulated. McCaleb, who had been connected with both the

[1] *See* Appendix B, Part II.

San Bernardino and Bakersfield promotions, helped in starting the new bank and became its first president.

Although the two methods of initiation—that by the officers of a national union and that by outside promoters—predominated during this period of the labor bank movement, two exceptions took place. In Jackson, Michigan, a group of railroad workers met in a box car to lay plans for a labor bank. The leader of the group, Robert J. Ramsey, had read concerning the rapid development of labor banking throughout the country and fostered the idea of a labor bank for Jackson. Through his influence and the interest of various trade union groups in the city, a representative committee was able to secure sufficient capital to organize a bank. Support was obtained from certain farmers of the district who looked upon the existing banks as monopolistic. The title *Farmers and Workingmens Savings Bank* was chosen to indicate and encourage this support. Through influence at the state capital, a special charter was obtained which allowed both commercial and savings bank functions. A capital of $100,000 and surplus of $25,000 was determined upon and by April 10, 1924, sufficient funds had been obtained to start business.[1]

The other case of local spontaneous initiation at this time was that of the Labor National Bank of Great Falls, Montana. Railroad men again were the leading spirits, although the Central Trades Council of the city actively supported the venture. Emulation of the Engineers' Cleveland bank was an important motive.

During the severe depression of 1920 and 1922, four Great Falls banks had failed. One of the remaining banks found itself in poor shape and its president, a railroad conductor, evolved the plan of converting it into a labor bank. He secured

[1] It is reported that the Engineers' Cleveland bank aided this bank by the deposit of a considerable sum at the time of its initiation.

options on the majority of the bank's stock, a large block of which was held by an affiliated mortgage company. With the help of individual trade unionists, this stock was sold to the local labor group. Since the railroad workers, and especially the engineers, had more funds available for investment than other organized workers in the city, the bank became associated with the Engineers' chain in the minds of students of labor banking. But the bank was an offspring of the Cleveland bank in spirit only and was not linked in control with the Brotherhood of Locomotive Engineers.

### G. THE ENGINEERS CONTINUE EXPANSION, 1923-1926

By the end of 1922, the Brotherhood of Locomotive Engineers' interests in banks and investment companies included the majority control of five banks, and a majority of the common stock of the Brotherhood Holding Company. The Brotherhood had already become interested, either as an organization or through its officers, in many other enterprises such as real estate projects, grocery stores, and the Coal River Collieries. For the sake of simplifying, as far as possible, the explanation of the highly complex financial structure which was being formed, it is well to keep to the strictly financial enterprises. There is considerable doubt as to the exact intercorporate relationships which existed, but it is important to understand the general scheme rather than all its details.

The Brotherhood Holding Company had been incorporated in the spring of 1922. Its capitalization consisted of $1,001,500 seven per cent preferred stock and 100,000 shares of no par common stock. The Brotherhood announced its intention to hold as an organization at least fifty-one per cent of the common stock of the company in order to assure control. A part of the common stock was given as a bonus to purchasers of the preferred stock. Sales were confined to members of the Brother-

hood. By this device the funds for the Holding Company were obtained from the membership while control remained in the hands of the Brotherhod officers.[1]

The purposes for which the Holding Company was organized were announced in the advertisements of its preferred stock. It was stated that national banking laws prevented banks from lending on any building except under restrictions which prevented the Brotherhood from helping the very class of men it desired to help. It was intended that the Company should provide members with safe and profitable investment and aid them in building homes and in other beneficial enterprises.[2] It later proved, however, that the Company was to serve as a clearing house for the Cleveland bank in assuming securities which were inconveniencing the bank. Temporarily, at least, the Holding Company owned some bank stock, which afforded Brotherhood control without investment of Brotherhood funds.

The experience of the Brotherhood with the Holding Company is important as it was the first instance of financial pyramiding which was carried to great extremes in the ensuing three years. By control of the no par common stock, which had been obtained with little outlay, the application of large sums of money rested in the hands of the officers of the Brotherhood. Part of such funds could be used to purchase control of banks and the remainder for investment in real estate and securities. Just as in the case of the Cleveland bank, it proved very convenient to have the financial support of an investment company of relatively unrestricted powers to aid in clearing the banks of slow-moving securities and loans.

The preferred stock of the Holding Company had found ready purchasers among the Brotherhood members, but with even greater facility the funds forthcoming became tied up in

[1] *cf. Locomotive Engineers Journal*, April, 1922, p. 270.
[2] *cf. ibid.*, May, 1922, p. 328.

frozen investments. Despite this, dividends were paid so that the holders became convinced of the soundness of their investment.

With need for more funds to finance contemplated extensions of the Brotherhood chain of banks, and with a ready-made market for its securities, the officials at Cleveland inaugurated an ambitious scheme. The Brotherhood Investment Company was incorporated in January, 1923, with $10,000,000 capital. Preferred stock to this amount was sold to the members and the public, while the Brotherhood retained control of the voting no par common.[1] The minority block of the common stock was given as a bonus to purchasers, one share with each unit of two shares of preferred.[2] The preferred stock was sold on large commissions by salesmen supported by intensive publicity through Brotherhood channels. The cost of selling the stock was later shown to be over thirteen per cent, so that the Brotherhood in the ensuing months accumulated close to nine millions for the expansion of its financial enterprises or the transfer of securities and paper within the existing system.

The question as to how this huge sum of money was used can be but partially answered. The destination of that relatively small part which found its way into bank stocks and subsidiary bank stock holding companies is all that is relevant here.

The first move in the plan of expansion which became operative in 1923 was probably the most spectacular and yet the most profitable gesture ever made in the field of finance by a labor union. Early in that year the Engineers purchased a large block of stock in the Empire Trust Company of New

[1] As later reported, the exact capitalization of the Brotherhood Investment Company was $10,000,000 preferred stock and $20,000 common stock. An investment of slightly more than $10,000, therefore, afforded control of the company.

[2] *Locomotive Engineers Journal*, January, 1923, p. 10, March, 1923, p. 169, and following issues.

York, a large Wall Street bank. The move was hailed on all sides as heralding a new day in the labor movement. Stone and Prenter became directors in one of the outstanding financial institutions of the country, along with financial leaders not known for their labor sympathies. While it was never known publicly how much the Engineers invested in the Empire Trust Company, reports indicate that their interest was a controlling one.[1]

At about the same time, the Brotherhood announced plans for a New York cooperative bank. The Empire Trust Company was to be a "window in Wall Street" but a bank over which the Brotherhood had entire control was considered necessary to meet the demand of eastern members for an "Engineers'" bank. Although application was made for a state charter early in the year, it was December 29, 1923, before a bank with $500,000 capital and $250,000 surplus was opened.[2]

A third New York enterprise, the New York Empire Company, was initiated by the Brotherhood in the following year. This company became the Wall Street wholesale agency for the securities bought for investment or resale by the Engineers' banks and securities companies throughout the country. With a Wall Street bank, a community bank, and a wholesale bond house in New York, the Engineers established their contact with the financial center of the country.[3]

The next important step in the expansion of the Engineers' financial system was the inauguration of regional securities companies as intermediate holding and investment companies between Brotherhood banks and the Brotherhood Investment

[1] *Locomotive Engineers Journal*, February, 1923, pp. 89, 111; *cf. Bloomfield's Labor Digest*, August 1, 1925, pp. 3151-3.

[2] *Locomotive Engineers Journal*, January, 1924, pp. 10-11, and June, 1924, p. 430.

[3] *See Labor Banker*, September 5, 1924; F. P. Stockbridge, "The New Capitalism," *Saturday Evening Post*, November 6, 1926.

Company in Cleveland. Authorization for such companies was given by the Brotherhood Advisory Council on May 26, 1924. During the summer of that year, the organization of the Brotherhood of Locomotive Engineers Securities Corporation of New York, the Brotherhood of Locomotive Engineers Securities Corporation of Pennsylvania, the Southern Brotherhood of Locomotive Engineers Securities Corporation, and the Pacific Brotherhood Investment Company was consummated. Two other securities companies, the New England Brotherhood of Locomotive Engineers Securities Corporation and the California Brotherhood Investment Company were organized in 1924 and 1925. A Midwest Brotherhood of Locomotive Engineers Securities Corporation was planned in 1925 to complete the chain, but this unit never operated.[1]

The announced purpose of the securities companies was to fortify the local position of the various banks and to serve the local investing public more efficiently. The preferred stock in the companies was sold at approximately $100 a share in units of two shares. The minority block of the no par common stock was given as a bonus with the preferred, one share with each unit of two shares of preferred stock. This left the majority block of the common stock in the hands of the Brotherhood Investment Company as promoter. Thus as with the parent investment company at Cleveland, control was retained although capital was secured locally.[2] The units of preferred and com-

[1] *Locomotive Engineers Journal*, November, 1924, p. 813 and following issues; *Labor Banker*, *passim*; *Getting Ahead*, *passim*. For financial structure and interrelations of these companies, *see* chart facing p. 46. A Brotherhood of Locomotive Engineers Securities Corporation of Illinois, also, had a place in the Brotherhood's program. It was planned at one time to have a securities company in each Federal Reserve district.

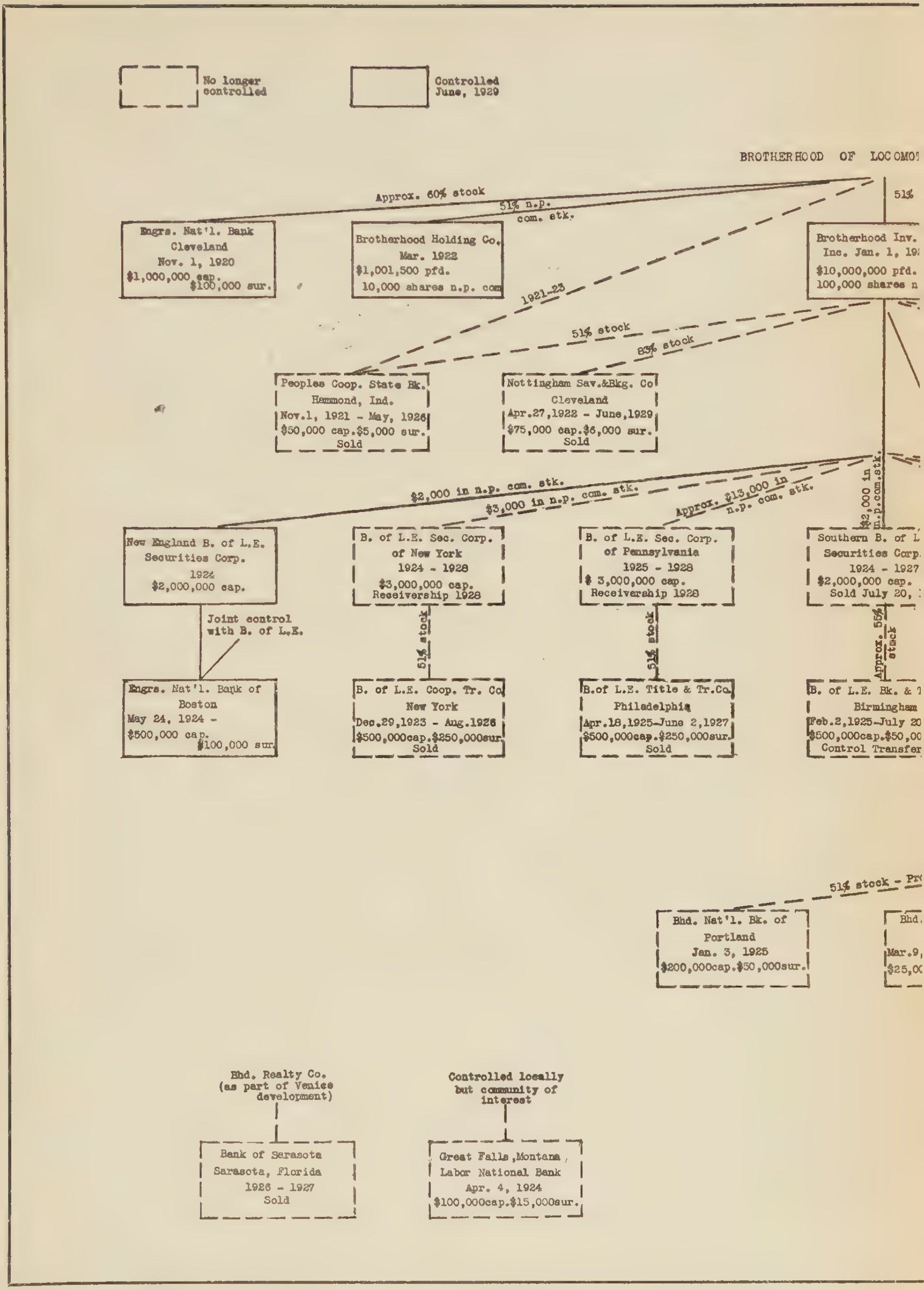
[2] At a later date the actual investments of the Brotherhood Investment Company in the stocks of the various regional securities companies were shown to be but two thousand dollars each in the case of the New England and Southern corporations, about three thousand dollars each in the Pacific and New York subsidiaries, and about thirteen thousand in the Pennsylvania corporation. The

mon were sold to both members and the public in the region of the securities company. Large commissions were paid to the salesmen sent out into the various regions, and appeals were made to members through Brotherhood channels to purchase stock. A large amount of the stock was purchased by the outside public. The name of the Brotherhood and the high-pressure methods of salesmen proved effective.

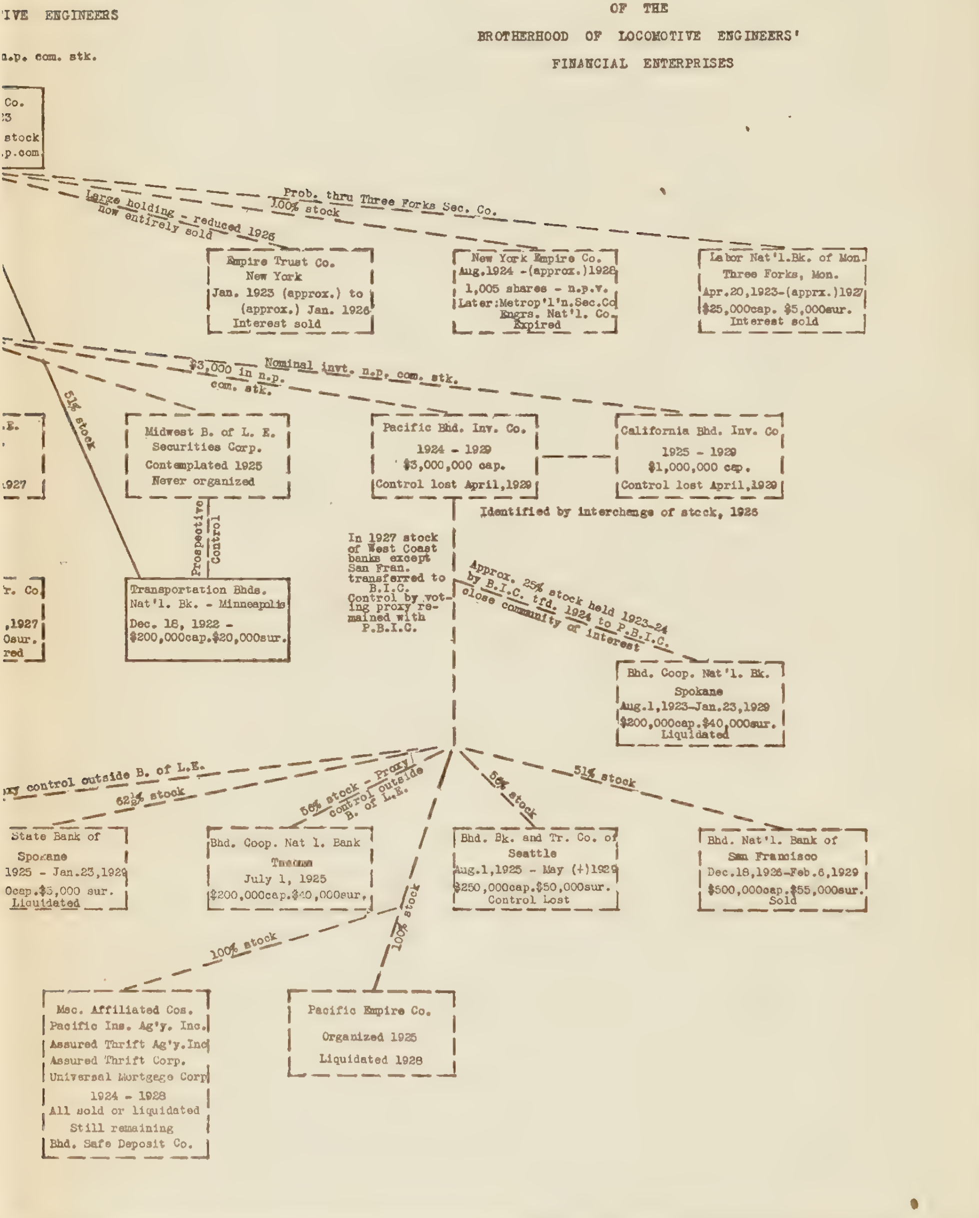
It was the intention of the Brotherhood officials that each regional securities company would take over from the Brotherhood Investment Company the controlling stock of any banks in its territory. For example, the Brotherhood of Locomotive Engineers Co-operative Trust Company of New York was to be controlled by the Brotherhood of Locomotive Engineers Securities Corporation of New York. A majority of the no par common stock of the Securities Corporation would be held by the Investment Company in Cleveland which was, in turn, controlled by the Brotherhood of Locomotive Engineers through ownership of a majority of its no par common stock. As new banks were added to the chain, control over them was to be arranged in this way. The capital of the bank was to be obtained from the minority stockholders of the prospective bank and the purchasers of the preferred stock of the regional securities company. The funds of the securities company not invested in bank stocks would be free for investment in other enterprises.

This plan of the Brotherhood was carried out in large measure in connection with the inauguration of new banks in Philadelphia, Birmingham, and several West Coast cities. In the case of the Boston bank, which was opened on May 24, 1924, and the Minneapolis bank, which had been doing business since 1922, however, the Brotherhood's financial interest continued altogether or in part in the hands of either the Brotherhood itself

Brotherhood Investment Company on the other hand borrowed amounts from these companies to the extent of many hundreds of thousands.


No longer controlled
Controlled June, 1929
BROTHERHOOD OF LOCOMOT
Approx. 60% stock
51% n.p. com. stk.
51%
Engrs. Nat'l. Bank Cleveland Nov. 1, 1920 $1,000,000 cap. $100,000 sur.
Brotherhood Holding Co. Mar. 1922 $1,001,500 pfd. 10,000 shares n.p. com
Brotherhood Inv. Inc. Jan. 1, 19 $10,000,000 pfd. 100,000 shares n
1921-23
51% stock
83% stock
Peoples Coop. State Bk. Hammond, Ind. Nov.1, 1921 - May, 1926 $50,000 cap.$5,000 sur. Sold
Nottingham Sav.&Bkg. Co Cleveland Apr.27,1922 - June,1929 $75,000 cap.$6,000 sur. Sold
$2,000 in n.p. com. stk.
$3,000 in n.p. com. stk.
Approx. $13,000 in n.p. com. stk.
$2,000 in n.p.com.stk.
New England B. of L.E. Securities Corp. 1924 $2,000,000 cap.
B. of L.E. Sec. Corp. of New York 1924 - 1928 $3,000,000 cap. Receivership 1928
B. of L.E. Sec. Corp. of Pennsylvania 1925 - 1928 $ 3,000,000 cap. Receivership 1928
Southern B. of L Securities Corp. 1924 - 1927 $2,000,000 cap. Sold July 20,
Joint control with B. of L.E.
51% stock
51% stock
Approx. 55% stock
Engrs. Nat'l. Bank of Boston May 24, 1924 - $500,000 cap. $100,000 sur
B. of L.E. Coop. Tr. Co New York Dec.29,1923 - Aug.1926 $500,000cap.$250,000sur. Sold
B.of L.E. Title & Tr.Co. Philadelphia Apr.18,1925-June 2,1927 $500,000cap.$250,000sur. Sold
B. of L.E. Bk. & T Birmingham Feb.2,1925-July 20 $500,000cap.$50,00 Control Transfer
51% stock - Pr
Bhd. Nat'l. Bk. of Portland Jan. 3, 1925 $200,000cap.$50,000sur.
Bhd. Mar.9, $25,00
Bhd. Realty Co. (as part of Venice development)
Controlled locally but community of interest
Bank of Sarasota Sarasota, Florida 1926 - 1927 Sold
Great Falls, Montana Labor National Bank Apr. 4, 1924 $100,000cap.$15,000sur.

INTERCORPORATE RELATIONS
OF THE
BROTHERHOOD OF LOCOMOTIVE ENGINEERS'
FINANCIAL ENTERPRISES



or the Brotherhood Investment Company in Cleveland.[1] In the Pacific Northwest several new banks were organized by the Pacific Brotherhood Investment Company and the Brotherhood's interest in the Spokane bank, which had opened in 1923, was later transferred from the Cleveland parent company to the regional company.[2]

The circumstances surrounding the opening of the new Engineers' banks during the years 1924, 1925, and 1926 need only to be summarized.[3] In almost every case, promotion activities were carried on jointly by local Brotherhood leaders and the officials and salesmen of the regional securities companies. In the case of the Boston bank, which was organized before the New England regional securities company was operating, local Brotherhood system chairmen did most of the work of arousing interest and pushing stock sales. In Birmingham, however, the salesmen of the regional securities company entered upon such a whirlwind campaign in selling stock in the company and the bank, that local officials became fearful lest unfavorable reaction against the bank might take place should small investors become oversold. The assets of the existing Federated Bank and Trust Company in Birmingham were assumed by the Brotherhood of Locomotive Engineers Bank and Trust Company, which opened for business on February 2, 1925. The opening of the Brotherhood of Locomotive Engineers Title and Trust Company in Philadelphia on April 18, 1925, completed the Engineers' chain in the East.

On the Pacific Coast four new banks were opened in Portland, Spokane, Tacoma, and Seattle in rapid succession during 1925. A fifth bank was opened at San Francisco in December,

[1] The New England Brotherhood of Locomotive Engineers Securities Corporation later took over a part of the Brotherhood's interest in the Boston bank.

[2] The intercorporate relations of the Brotherhood financial system are shown on the chart facing p. 46.

[3] For further details concerning these banks *see* Appendix I.

1926. These banks varied in capital from $25,000 to $500,000. The Seattle and San Francisco banks, although the largest of the five, were the slowest in getting under way. The large number of banks and the relatively small number of railroad men in these communities retarded promotion work. A California Brotherhood Investment Company was organized in 1925 to finance the San Francisco bank and to open up the Pacific Southwest territory.[1] This territory, however, did not prove to be so fertile for Brotherhood activities as that in the Northwest and early in 1926 the new company was more or less merged with the older Pacific Brotherhood Investment Company. Several subsidiary organizations, including the Pacific Empire Company, the Pacific Insurance Agency, Inc., the Assured Thrift Agency, Inc., and the Universal Mortgage Corporation were organized to supplement the banking and securities services offered by the other Brotherhood institutions.[2]

### H. THE GROWTH OF LOCALLY SPONSORED BANKS

The development of the Engineers' enterprises on a national scale, although overshadowing locally sponsored developments in labor banking during this period, stimulated rather than precluded local promotions in other cities. The local non-railroad groups which sponsored these banks were much influenced by the progress of the Engineers, and in several cases the new banks were in cities adjacent to those in which labor banks were in operation.

A good example of the influence of geographical proximity is the organization of banks in Paterson, Newark, and Jersey City, New Jersey, in the period 1924 to 1926. The existence of four labor banks in New York City, a few miles away, was most

[1] *See Locomotive Engineers Journal*, June, 1925, p. 411; also *Getting Ahead*, *passim*.

[2] *See Getting Ahead*, *passim*.

certainly an important factor in the initiation of these banks, although the groups primarily concerned varied markedly in character in the three cities.

Three silk weavers were responsible for the Paterson bank, since it was through their energy and perseverance that the apathy of most of the local trade unionists was overcome. For over a year previous to the opening of the bank in July, 1924, these three men spoke repeatedly before union meetings in an attempt to secure sufficient assurance of support before a bank was organized. It is probably true that the silk weavers of the city would have gone ahead with a bank without help from other unions if the silk industry had not been depressed. A large number of English and Scotch in this industry had brought with them an interest in cooperation which had led to other cooperative activities in the city. A labor bank had been suggested in 1920 as an aid to the labor movement in offsetting the activity of banks favorable to a drive for longer hours.

Despite the perseverance of the silk weavers in advocating a bank, the reaction of the labor group was discouraging. After much delay, it was resolved to call for a decision. About this time, however, Judge Joseph A. Delaney, who later became chairman of the board of directors of the bank, was interested in the movement. Through his help S. D. Scudder, a banker who had become interested in labor banking, was brought to Paterson. With the prestige of Delaney and the enthusiasm of Scudder, the movement gained sufficient momentum to establish a bank. The support of a large number of local unions was obtained and the bank opened July 26, 1924, with a capital of $200,000 and a surplus of $100,000 under the title of the *Labor Co-operative National Bank.*

A Newark Labor Co-operative National Bank was sponsored by the officers of the New Jersey State Federation of Labor, the

county central organization, and local unions. Scudder, who had helped organize the Paterson bank, again lent his enthusiasm and experience to the movement. Stock was widely distributed among the local labor group and their friends, and on July 27, 1925, the bank began business with a capital of $250,000 and surplus of $125,000.

The Labor National Bank of Jersey City was the last labor bank to be organized in the East. By 1926 labor finance companies were in process of organization in several cities. The district of which Jersey City is a part was strongly organized and a movement for a labor temple had been initiated. Under the leadership of T. M. Brandle, an office building was proposed as a more profitable substitute. Following the Engineers' example, this proposal was incorporated in the promotion of a Union Labor Investment Corporation, which not only served as a holding company for the office building but for a labor bank as well. A bank was considered both a good tenant and a good investment and, probably most important, a source of prestige for the sponsoring organizations. Control of the Investment Company, which in turn controlled the bank, was confined to trade unions by the device of a nonnegotiable voting stock. The preferred stock and nonvoting common stock of the Company were sold on commission by outside agents to a large number of trade union members and to other interests friendly to labor. The cooperative features of limited dividends and profit sharing did not appear in the bank's announcements when with a capital of $200,000 and a surplus of about $70,000 it began business on June 28, 1926.

Another example of the influence of geographical proximity in the inauguration of labor banks was the organization of the Gary Labor Bank of Gary, Indiana. In Hammond, a short distance away, the Peoples Co-operative State Bank had proved

a success. Although Gary was a center of the open shop steel industry, the building trades of the city were well organized. The officers of these trades and of the city central organization, with a successful bank close at hand, became convinced of the need for a bank in Gary to protect labor's interest from employer favoritism on the part of the existing banks in the city. Bank stock was sold to unions, members, and friends, and a cooperative institution with a capital of $50,000 and a surplus of $10,000 was opened in the labor temple of the city on October 24, 1925.

The sweep of the labor banking movement in 1925 did not confine itself to those parts of the country where banks existed. In Kansas City a Brotherhood State Bank had been organized in 1924 and although only minority blocks of stock were held by labor organizations, the bank was identified with the labor movement in both its initiation and sympathies. Promotion profits were sufficiently tempting to stimulate activities in regions distant from successful banks. In Houston, Texas, after a false start, a bank controlled by local labor groups opened for business on November 16, 1925. Some time previous, a group of promoters from Cleveland had descended upon Houston and had sold stock in a prospective labor bank. Liberal commissions and ignorance of Texas banking laws soon caused suspicion and litigation. To save the wreck which resulted, a lawyer friendly to labor took a hand in the enterprise. A new and separate institution under local auspices was projected, and a part of the funds rescued from the unsuccessful promotion was diverted to the new bank. Additional funds were secured from labor and business groups and the Labor Bank and Trust Company finally opened for business with a capital of $100,000 and a surplus of $10,000.

## I. TWO MORE NATIONAL UNIONS INVEST IN BANKS

In the course of the movement for labor banks, a number of national unions were led to start banks because sufficient funds were available in their treasuries for the purpose. To varying degrees this factor had influenced the Machinists, the Engineers in starting their Cleveland bank, the Telegraphers, the Garment Workers, and the Clerks. Toward the close of the movement, two more unions entered the banking business with full treasuries as almost the sole reason for the step. They were the Flint Glass Workers and the Pressmen.

The Flint Glass Workers deliberated a long time before establishing a bank. As early as 1922, a proposal for a bank had been made before their convention. William P. Clarke, the president of the union, although interested in the plan, demanded that the union proceed with great caution. It was not until after the convention of 1924 had reaffirmed the union's approval of a bank, that definite steps were taken. After much investigation and consideration, the trustees of the union secured a charter for a bank in the spring of 1925. On July 6, 1925, the bank opened in Toledo, the headquarters of the organization. Practically all of the capital of $250,000 and surplus of $50,000 was advanced from the union's treasury. The name *The American Bank* was selected to emphasize the community character of the bank rather than its connection with a union whose membership in Toledo was small.[1]

The last national trade union to invest in a bank was the International Printing Pressmen's and Assistants' Union. This organization under the leadership of Major George L. Berry, president of the Union, had developed an extensive headquarters plant in the mountains of eastern Tennessee. Major Berry was already a stockholder in The Hawkins County Bank, one

[1] American Flint Glass Workers' Union, *Convention Proceedings*, 1922-27, *passim.*

of the two banks of Rogersville, the near-by county town. Interested in labor banking, he suggested to his fellow officers that the Union buy stock in this bank. Sufficient stock was purchased in 1926 to allow the Pressmen and Major Berry, together, to control the bank. Its name and its management remained unchanged. Both the previous success of the bank, which had been founded in 1899, and the banking needs of the community did not warrant any change in the bank's policy.

### J. PROSPECTIVE AND PRESUMPTIVE BANKS, 1921-1928

The difficulties and delays which attended the organization of many of the labor banks which finally opened for business prevents any surprise at the fact that many banks, in all stages of advancement short of opening for business, appear on the records of the labor banking movement. In some cases, funds were collected through the sale of stock in holding companies or through the collection of subscriptions in the prospective institution itself. In other cases promotion was only on paper, attended by much publicity and discussion but no concrete developments such as charters and subscriptions. The outcome in instances falling under the latter category was more fortunate than in the former, since lack of support was realized before funds were diverted into unprofitable and insecure investment. In such cases as the Atlantic Union Securities Company of Atlantic City, however, thousands of dollars of workingmen's money were lost through ignorance, inefficiency, and doubtful financial practice.[1]

When the movement to start labor banks was at its height in 1923 and 1924, scores of requests for help and advice in organizing local enterprises poured into the Brotherhood of Locomotive Engineers offices in Cleveland. State federations,

[1] *See* Appendix B, Parts IV and V, for further information concerning these institutions.

city centrals, and national unions considered proposals to start banks. In most of the cases more cautious judgment, the lack of funds, or the absence of professional promoters prevented the outcome of another labor bank. Investigations of existing banks were numerous and the announcements of new banks in the labor and general press received much attention. Some national unions and state federations were cool to labor bank proposals. The New York State Federation, for example, on the advice of Brady of the Federation Bank in New York, cautioned labor groups in other cities to go slowly in supporting further promotions.[1]

In addition to these labor banks on paper, labor banks in process of organization, and labor bank holding companies which appear in the background of the picture of the movement, there were certain banks which existed on its fringes for a time.[2] Information as to the status and plan of these banks is limited in most cases, for their failure left local investors more sad than informed. It is unfair to debit their experience entirely to the account of labor banking without adequate knowledge as to their sponsors. In all these cases, however, some participation by union members or organizations is certain. But the elements of success and failure in these institutions are similar to those in banks controlled by labor and can be studied in the experience of the latter institutions.

[1] New York State Federation of Labor, *Convention Proceedings*, 1924, pp. 57, 59.

[2] *See* Appendix B, Part III, for further information concerning these institutions.

CHAPTER THREE

# *THE PURPOSES OF ORGANIZATION OF LABOR BANKS*

TO FIND out the purposes which existed in the minds of the leaders of the labor banking movement, a careful sifting of information from many sources is necessary. Students of the movement have enumerated purposes. Trade union officers and their advisors have written articles. Interviews with officers of unions and labor banks, and those who have been associated with them afford some insight; and by-laws, advertisements, and convention resolutions contain specific statements. But the data from all these sources must be scrutinized to divide the purposes which were incidental from those which were primary, and to find the relative importance of motives, which when expressed, may have been unconsciously altered in emphasis to suit the occasion. But in all movements in which large numbers of individuals are concerned, although a multitude of motives exist, certain become more distinctly apparent because of repeated reference to them in the public or private utterances of the active leaders. The rank and file, however, are likely to accept as motives in supporting the movement those emphasized by the officers of their union.

The main motives or purposes for which labor banks were organized may be reduced, without too much danger of overgeneralization, to five classes: business, protective, aggressive, cooperative, and psychological. These types of purposes merged into each other in the initiation of almost every labor bank. Their relative importance can be discussed only as their ramifications are explained.

## A. THE PURPOSE OF BUSINESS PROFITS

Two types of business purposes are distinct in the initiation of labor banks. The profitable investment of trade union funds on the one hand and promoters' profits on the other, although both business motives, were generally not coexistent. The former figured early in the formation of bank plans and the first two banks organized, the Machinists' and the Engineers', centered upon this motive. Promoters' profits stimulated bank organization only after the success of early labor banks had interested individuals outside and inside the labor movement in the pecuniary advantages involved.

It was the prosperous condition of union treasuries, coupled with the prosperity of capitalistic banks, that suggested investment in bank stocks to many officers of national trade unions in the years following 1919. The balance sheets of many unions showed large assets which had accumulated during the great expansion in trade union organization in those industries stimulated by war demand. The favorable attitude of the government toward labor had greatly encouraged organization, especially on the railroads, where the shop crafts and miscellaneous crafts, as well as the train service employees, had prospered. Restricted immigration had helped the clothing workers, and the building trades employed in war construction had obtained favorable wages, which were reflected in strong treasuries.

Before the War, many unions had kept a large part of their funds in banks, both on account of the ease of deposit and withdrawal and the lack of investment experience. Liberty Bonds became a favorite investment during the War period, but after 1919 new means of investment were needed by unions which had never faced the problem before.

The shift from bank deposits to bank stocks was suggested by

the fact that the unions, although providing banks with large deposits, were receiving a low rate of interest, while the banks using these funds in the prosperous times of 1919 and early 1920 were earning large dividends. Union officers came to realize that their practice of keeping large ready funds in banks was providing both bankers and business men wherewithal for very profitable business. But the demands of trade union financing made ready funds compulsory, although not to the amounts which had accumulated. To obtain its share of the profits as well as the interest accruing from the deposit of such funds, investment in bank stock or the organization of new banks was considered a reasonable step.

The extent to which unions followed this course was influenced by many factors. Some union officers, who had become accustomed to the management of large funds before the War, had learned investment technique, so that the union's larger income found its way more or less automatically into investment securities. Where union funds were greatly increased by War prosperity, however, even the new outlet of Liberty Bonds, added to the types of securities already available, did not satisfy some of these officers that sufficient advantage was being derived from their union's increased resources. In other cases, caution or inertia prevented change in financial methods. Certificates of deposit or government bonds were felt to be safer or were designated by union by-laws, or if not, were easier for inexperienced treasurers to handle. Dependence on bankers' advice, also, was a factor. Where union treasurers leaned upon bankers for help in connection with transfers, the purchase of securities, and loans, to invest in the stock of new or competing banks was awkward.

In addition to the prospective dividends from labor banks, the need for investment advice influenced some trade union officers in favoring labor banks. It was felt that a banker em-

ployed by the union's own institution would be more interested in discovering profitable investment of union funds other than those made a part of the bank's capital or deposits. There is considerable doubt, however, as to the extent to which this need was realized. In most cases this purpose was advanced after trained labor bankers had uncovered mistakes in union financing.

The advantages of having a bank as a tenant in the headquarters' building influenced several organizations in starting their own institutions. When economy and prestige led several unions to build large office buildings to house their national offices, the problem of securing an appropriate tenant for the ground floor space arose. In permanence, rate of rental, and added prestige, an affiliated bank was a desirable occupant. The bank and the building became the union's twin projects in the field of labor finance.

Examples of instances of bank promotions by trade unions where business motives were important are fairly numerous. The Machinists were already stockholders in the Commercial National Bank in Washington when they decided to open a bank of their own as a further investment in banking and as a tenant in their new building. The Engineers, also, were much influenced by prospective dividends and other investment advantages in starting, not only their two Cleveland banks but also many other financial ventures. Other examples are those of the Clerks', Telegraphers', Flint Glass Workers', Ladies' Garment Workers', and Pressmen's banks.

Promoters' profits, as a motive for the organization of labor banks, must be classed along with trade union profits as a business motive, although the change from group to individual interest is not a happy one. But where banks were organized by persons outside the labor movement, or acting as individuals if trade union members, individual profits were sometimes the

paramount interest. In any successful type of enterprise, especially when stock may be sold on commission, promoters abound. In starting labor banks, the support of trade unions or federations was necessary, but once this was obtained—and without difficulty in most cases—the market for stock was usually fertile.

The motives of the labor leaders in sanctioning the sale of stock were usually quite different from those of the promoters. Since the former had little to gain, their purposes were likely to be those of protecting and serving labor as a class. The degree of altruism shown by the promoters, as a secondary motive in these cases, varied widely. In some instances a total disregard for the future success of the bank was shown. In others a strong inclination to serve the labor movement tempered more acquisitive purposes.

While the profits and liberal commissions received from the turnover of bank stock were the usual gains sought by promoters, self-seeking participants in the organization of two or three banks were interested in the sale of impaired institutions or the rental of banking quarters. Unfortunately the labor representatives in these latter instances mistook a doubtful asset for an opportunity.

Profits and commissions on the sale of the stocks of labor bank holding and securities companies brought several banks into existence, either directly or indirectly. The banks in some cases became the excuse for the existence of the holding company. The apparent success of the Engineers' extensive scheme led to many imitations. In 1924 and thereafter the Engineers themselves had so many outsiders in their employ and so many persons within the Brotherhood whose trade union interests had become overshadowed by financial interests that one can well say that salaries and commissions kept the system expanding

more than did such motives as earnings for the Brotherhood or advancement of the labor movement.

Three other examples of the significance of promoters' profits may be offered. In Indianapolis, Bakersfield, and Houston, outsiders were the prime movers in the initiation of labor banks, and liberal commissions must be considered their motive. In Indianapolis and Houston the local labor group's intervened to protect their interests, and in Bakersfield, the promoters suffered the results of their own faulty judgment. A fourth example, which offers even more conclusive evidence, is that of the Atlantic Union Securities Company in Atlantic City, which ended in a receivership in 1928.[1]

### B. THE PURPOSE OF PROTECTING THE LABOR MOVEMENT

The depression of 1921 put labor on the defensive throughout practically all industries in the United States. The open shop drive swept the country, stimulated by fears of radicalism and militant unionism in the minds of employers and other conservative groups. Strikes to defend the wage levels gained during the War and post-War prosperity were fought by employers with all the resources at their command. The sympathies of bankers were with the employers for many reasons. It was to employers that commercial banks looked for large deposits as well as for profitable extensions of credit. Most employers were suffering from falling prices of inventories and products and what they considered high labor costs. To save old loans and to encourage new, the bankers wanted employers to prosper. When employers advised their bankers either directly or through their associations that the trade unions prevented such prosperity, bankers as individuals or groups cast

[1] *See* Appendix B for fuller accounts of the Atlantic City enterprise and the other institutions used as illustrations in this chapter.

dark looks at trade unions and resolved to use their influence to combat them.

As a result of this attitude, complaints and accusations of the interference of banks in labor disputes began to be heard in many cities. In some cases, employers dealing with organized labor found themselves under pressure from their banks to reduce wages below the union scale. In certain cities, as Chicago and San Francisco, where the conflict between open shop employers and the trade unions was keen, it became quite evident that financial power may have been an important factor in the outcome. The labor press carried many accounts of such conflicts, which aroused the suspicion of labor groups in cities where bankers were more cautious of becoming openly partisan in labor disputes.[1] An incident occurring in Norfolk, Virginia, in which the Machinists prevented the closing of a union ship-repair shop, received much attention after an account of it appeared in Boeckel's *Labor's Money* in 1923.[2]

Although these incidents of aggressive action were more spectacular and received wide attention in trade union circles, the fact that workers' savings found their way into the hands of open shop employers in the usual course of commercial and savings bank operation was a more lasting cause of chagrin to labor leaders. Wage earners had prospered during the War and savings deposits had risen. Commercial banks with savings departments were finding workers' savings a profitable source of loanable funds, and savings bank investments had grown. The flow of funds into open shop industries along with organized industries was automatic. The suspicion of banking collusion in the open shop drive increased the resentment of labor toward what they felt to be unfair use of their funds.

[1] A study of the files of trade union journals and of the proceedings of conventions of national unions and state federations during this period will indicate the widespread nature of this suspicion. *See* Bibliography, Part B.

[2] *See* Chapter V, p. 109.

The deflation of 1921 hit labor and the farmer harder than it did most groups in our population. Bankers were held by these two groups to be responsible for the sudden termination of prosperity. The lack of representation of labor, especially, on boards and other bodies which directed the banking policies of the country was brought to the attention of labor leaders more plainly than ever before.[1] The organization of banks responsible to trade unions seemed the way to protect labor from both the incidental and the inherent injuries believed to accrue to it.

The plans of those leaders of labor banking to whom protection of trade union interests was paramount, were seldom definitely determined. The examples of open shop tactics on the part of bankers suggested possible counterstrategy. Where fair employers were deprived of credit, the proposed labor bank would come to their assistance. Where workmen were idle because of employers' refusal to proceed with production at the union scale of wages, the labor bank could advance funds to new employers or to cooperating groups of workmen who otherwise would be unemployed through lockout, strike, or lay-off. Funds which capitalistic banks would invest in open shop industries, labor banks would divert to organized industries and companies within those industries most favorable to organized labor. Such tactics seemed feasible and effective to some leaders in the labor banking movement.[2]

[1] *cf.* George Soule, "Labor as Banker," *The Atlantic Monthly*, June, 1923, pp. 815-19.

[2] There were probably some trade union officers, including Hillman, to whom this purpose of labor banking seemed unimportant or impractical even before experience showed this to be true. This did not prevent widespread acceptance of the idea by the rank and file. The extensive publicity given it in labor and general publications made this purpose an important factor in the initiation of labor banks even though union officers in particular instances were dubious as to its validity. It is, of course, difficult to determine at this late date the precise point at which sincere beliefs and propaganda met in the utterances of early enthusiasts.

The motive of defense was significant in these cases, however, rather than the purpose of aggressive financial strategy. While defense must shade into offense should the labor bank become an active enterprise, many leaders thought almost solely of passive defense of labor's interests as the reason for the initiation of labor banks.

Banks initiated primarily to protect the labor movement were generally sponsored by local labor groups. Participation by bankers in the open shop movement varied widely from city to city. In cities where bankers were usually aggressive and unions unusually strong or embittered, the promotion of a labor bank fired the imagination of local leaders. Where some leader or union assumed the responsibility for active promotion of a bank, the chances of success were somewhat improved. In many cities, however, enthusiasm and discussion ended the matter.

The labor bank organized in Tucson, Arizona, in 1921 was the outcome of embittered conflict between employers and bankers on one hand and the local labor movement on the other at the time the open shop movement was sweeping the country. Later cases where the element of defense was important were those of the Gary, St. Louis, and Indianapolis banks.

### C. THE PURPOSE OF ADVANCING THE LABOR MOVEMENT

The line between defensive and offensive union strategy is hard to draw, especially if one looks to the purposes for which particular labor banks were established. But in the consideration of the motives, as they became apparent in the larger view of the labor banking movement, a deeper and more positive motive of aggressive action distinguishes itself from the more concrete but passive motive of protection. Stone, Brady, Manion, and other leaders in the movement repeatedly called attention to the great potential financial power of the laboring

class in America.[1] The savings of workingmen and small salaried workers were sufficient, it was claimed, to control many of the basic industries of the country. Labor was neglecting one of its most powerful weapons if it did not concentrate in some way the control of labor's investment power so that this power could be exercised to labor's advantage. The labor bank and the labor investment company were considered the appropriate agencies through which control could be exercised.

The increasing influence of "Wall Street" in the management of large corporations was feared not only by the more radical group in the labor movement but by the more conservative craft union group who faced company union competition. The stronger railroad brotherhoods did not fear the company union, but found that wage policies were more and more controlled by boards of directors or bankers in New York whose financial interest in many roads made them less susceptible to the threats of strike on single systems. Further, public opinion was becoming more and more opposed to interruptions of transportation services due to labor disputes. The shop strike in 1922 had shown the dangers of the use of violent methods.

Labor's reaction to this situation was best exemplified by Stone's repeated declarations that the day of the strike had passed. The time had come for labor leaders to cooperate with management and to assure labor its due share of the income of employing corporations through participation in control as stockholders and directors. It was time for labor to enter Wall Street. This proposition was attractive to trade union officers like Stone because of the prestige which would redound to the representatives of labor on the boards of the great corporations of the country. The position of banker controlling the investment of workers' savings would be strategic since it would prob-

[1] *See* Bibliography for the articles and convention addresses of these leaders in the movement.

ably assure trade union officers the position of representative of the worker who owned stock directly. The worker-investor would look to the labor banker as his proxy in the exercise of his voice in industry.

The grand scale of the program just described appealed more to the enthusiastic national officer interested in labor banking than to the local union official or the salaried banker in the small, isolated labor bank. The rank and file were less acquainted with the problems of banking and more susceptible to generalizations as to purposes. There is little indication in the case of most banks that the higher strategy proposed by Stone was an immediate motive for their promotion. Stone's great influence in the inauguration of the Engineers' chain of banks and that of Manion and Brady in the promotion of the Telegraphers' and New York Federation banks, respectively, give reason to believe that such a motive was important in these three cases.

Somewhat in contrast to Stone's more sweeping declaration of purpose was that advanced by Hillman in connection with the inauguration of the Amalgamated banks. To Hillman, labor's entrance into the field of banking was in response to its desire to participate more fully in the economic life of the nation, to assert itself in a positive manner, and to utilize to its own advantage the economic powers it possessed.[1]

### D. THE PURPOSE OF COOPERATIVE SERVICE TO WORKERS

The connection between the labor banking and the cooperative movement in this country in the post-War period has already been mentioned.[2] The early proponents of labor banking, including Stone, Hillman, Howe, and McCaleb, were interested in the extension of cooperation as an instrument

[1] *cf.* "The Labor Banking Movement in the United States," an address given before the Academy of Political Science, *Proceedings*, April, 1925, pp. 109-18.
[2] *See* Chapter I.

whereby labor could improve its position. Stone was keenly interested in the development of cooperative retail stores as a means of combating the high cost of living. A cooperative department which propagandized the success of cooperation at home and abroad was included in the *Locomotive Engineers Journal*.[1] The activity of the All-American Co-operative Commission, which was formed in Chicago in 1920, has already been described. Through Howe as permanent secretary of the banking committee of this Commission, an effective means of publicity for cooperative banking was developed.

The year 1920 found many trade unions with good treasuries but restless memberships. The cost of living had mounted so rapidly that the rank and file looked to the union officers for help in bettering real wages. Cooperation was in the air and attempts to lower prices of necessities by this means rather than by entering upon costly wage movements appealed to trade union leaders. Clothing factories and mail order businesses were purchased, but with disastrous results. When cooperative banking was proposed, especially with such assurances of success as reiterated by Stone, executives of many national unions became interested in this presumably safe way of serving a distressed membership.

Stone was an able propagandist. With the aid of his headquarters staff at Cleveland, through the labor press, convention addresses, and general newspaper publicity, he sold the idea of cooperative banking to the labor movement. The Cleveland Engineers' bank by its rapid growth and early payment of cooperative dividends became an exhibit more effective than words. To support his claims, Stone appealed to European experience and cited the success of thousands of cooperative banks there as an indication of the future of such banks in America.

[1] Albert F. Coyle, then editor of the *Locomotive Engineers Journal* was very active in this regard.

The fundamental differences between the people's banks of Europe and the partially cooperative enterprises being promoted by trade unions in America, he dismissed with little comment.

The proponents of cooperation saw in the labor bank a possible auxiliary. Past failures and the unsympathetic attitude of many bankers had increased the difficulties in securing bank credits for cooperative enterprises. The labor bank of a community, it was thought, would serve the cooperative stores. The affiliation would be mutually advantageous and would make both more independent of capitalistic interference.

Apart from this somewhat indefinite connection with the movement for cooperative distribution of goods, labor banking was considered a step toward democratization of banking. Capitalistic banks throughout the country were getting farther and farther distant from the workers in service and attitude, it was felt. Low interest rates on deposits, high profits, and little regard for the small depositor and borrower seemed to be the concomitants of the increasing size of the stronger financial institutions. Higher interest rates, cooperative dividends for savings depositors, limitation of stockholders' dividends, and friendly treatment of the wage earner and small salaried worker were features which the labor bank could offer. Especially important was the purpose of providing a means whereby necessitous borrowers could obtain small loans without the payment of exorbitant rates of interest.

Other possible services to workers attracted interest to labor bank promotion. The possibility of foreign remittances to Russia and other foreign countries in American funds was peculiarly pleasing to the immigrant workers in the larger cities. Aid in cooperative housing projects as well as in cooperative merchandising was an inducement. Advice and aid in the investment of savings and cheap safe deposit facilities appealed to better paid

workers, such as the engineers, as reasons for starting labor banks.

Union officials in turn saw in labor banking an opportunity for giving the union a more important place in the worker's life. The union served as a means of increasing wages by collective bargaining. Through its bank, it could conserve and augment the surplus earnings of its constituents thus secured. Small loans at reasonable rates would aid the worker in times of necessity and would secure added loyalty without the chances of loss involved in informal lending by the trade union itself. Other services, also, would keep the bank before the worker as an agency of the labor movement serving his essential needs.

The purpose of cooperative banking and service to workers was impelling in varying degrees in the case of most labor bank promotions. Except where self-interested financiers were active in inaugurating a bank, it was announced and sincerely accepted as one of the three or four reasons for starting the bank. The gradual change in motives which took place on the part of certain labor bankers will be discussed later. Some banks in the movement may be mentioned, however, as outstanding examples of those inaugurated in large measure for the purpose of providing the labor group in their communities with democratic and cooperative banking service.

Great emphasis was placed by Stone on the possibilities of service to engineers throughout the country by the Cleveland bank. This emphasis was reechoed in the inauguration of other Engineers' banks in the next few years. The appeal probably had marked effect in early promotions but there is decided question as to its significance as new banks became mere units in the Engineers' huge capitalistic scheme. In the case of the Amalgamated Clothing Workers, on the other hand, cooperative service has continued to be the vital motive for the support

of its banks. The labor movement was more real to leaders of the Clothing Workers than to the officers of the Engineers.

Several small banks may be suggested as examples of the effectiveness of the cooperative spirit in bank promotion. In Paterson a small group of silk weavers, despite discouraging apathy on the part of most of the trade unionists in the city, convinced a sufficient number of the need for a cooperative bank to cause one to be founded. Other forms of cooperation had been developed by the Scotch and English weavers who worked in the Paterson mills. Cooperation was an important motive, also, in the founding of the Tucson bank in 1921. The stock of this bank was held by a cooperative association in which the rule of one vote for each stockholder applied. Running through the history of the Peoples Co-operative State Bank of Hammond, Indiana, is a motive of service to the working class which finds its source in its cashier, Marko, who learned banking in Hungary before coming to America. There is considerable evidence that the purpose of cooperation and service to workers as a class was more vital among labor bankers of European traditions.

### E. PSYCHOLOGICAL FACTORS IN LABOR BANK PROMOTION

As one studies the causes of labor bank promotion closely and weighs the motives of trade union officers, their advisors, and the rank and file of unionists who became active in the movement, the importance of psychological factors becomes more and more evident. Emulation, ambition, and pride in craft and organization appear to be stimuli in some cases second to none of the other motives already discussed. In other instances, business, protective, or cooperative motives were fundamental, but union loyalty on the part of the rank and file and the personal ambition of the officers caused conviction to become action. Emulation became an insistent influence on

the officers of prosperous national unions after the apparently stupendous success of the Engineers' financial enterprises became broadcast.

From the beginning, the Engineers' ventures in banking and business reflected in their character and scope the excessive ambition and the illusions of grandeur of Stone. The pace was faster and objectives were greater because this wilful leader sought fulfillment of a desire to be hailed as a banker of national importance as well as an outstanding representative of the labor movement. A "window in Wall Street" appealed to Stone because of his appearance behind it, as well as the view it afforded of the financial activities centered in New York. The ambition, energy, and personal magnetism which had brought Stone to the fore in the labor movement not only influenced his own activity in banking but aroused his subordinates to pattern their careers on the same grand scale. More and bigger banks came to be an urge felt strongly at the Cleveland headquarters.

Other men than Stone's subordinates were fired by the example of his rapid rise to financial power. Some found that careers as bankers suited their taste better than plodding success as labor officials. Success on the part of the bank with which they were connected became the means of establishing a position of prestige inside and outside the labor movement.

Of more importance than personal emulation of Stone was the reaction on the part of labor groups in many cities and in many unions that their city or their union should have a labor bank. The motives which impelled the Engineers and the other motives already discussed were partially responsible but in certain cases, first and last, the shining example of success at Cleveland gained support for the promotion of a labor bank where purposes such as trade union strategy or service to workers would have left union members cold. Local divisions of

Engineers sought Cleveland to start a bank in many cities as a manifestation of the strength and prestige of their Brotherhood. Other national unions and local labor groups felt that craft prestige or local pride required the establishment of a bank. The style in trade union activity became the initiation of a labor bank or investment company and in some instances where leadership was not of the highest order, style rather than careful consideration of needs and purposes led to futile attempts to promote a labor bank.

CHAPTER FOUR

# *CIRCUMSTANCES AND METHODS OF ORGANIZATION*

## A. CHARACTER OF THE ORGANIZING GROUP

NATIONAL unions, local unions, state federations, city centrals, and groups of trade union members acting as individuals, sometimes without outside assistance and sometimes dominated by outside promoters, were responsible in ever changing combination for the organization of labor banks. In some cases a small group or a single individual was largely instrumental in bringing a bank into existence; in others the whole rank and file took part. Several type cases may be outlined.

In slightly more than half of the labor banks organized from 1920 to 1926, a national union was the chief supporter if not the sole sponsor for the bank. In seven of these cases the initial impetus was provided by national and subordinate division officers, who drew upon union treasuries or sold stock to members of the national union throughout the country. A wealthy union, upon authorization by convention resolution, proceeded to establish a bank without financial support outside of its own organization. Whatever technical assistance was obtained from persons not connected with the union was secured from salaried bankers or informally from friends. The Engineers' Cleveland bank, the Amalgamated banks, the Telegraphers' bank, and finally, the Flint Glass Workers' bank in Toledo were sponsored in this way.

Three other institutions were promoted by national unions with the assistance of outside groups. The Machinists', Clerks', and Ladies' Garment Workers' banks fall in this class. In the first case friendly bankers and business men lent their support.

In the last two, other trade unions and their members aided. In a fourth instance, the Pressmen, through Berry their president, obtained control of an existing bank, but did not change its administration in any way.

The circumstances surrounding the initiation of the thirteen Engineers' banks, apart from the parent institution and the small Nottingham bank purchased in 1922, have so much in common that they illustrate a third typical case. Local members of the Engineers' Brotherhood, enthused by the success of the Cleveland bank, proceeded to arouse sufficient local interest in a bank to obtain assurances of help from the national organization or one of its subsidiary finance companies. In the East and Middle West, some local officer was usually the leader in the movement for a bank. On the Pacific Coast, local demands were reinforced by a desire for expansion on the part of the officers of the Pacific Brotherhood Investment Company, the promoting and holding company for this region. With one exception, the Brotherhood, usually through its financial subsidiaries, advanced a major portion of the funds necessary to start the banks. Although such funds were generally obtained locally through the sale of holding company stock, control centered in Cleveland. The remainder of the bank stock was purchased locally by engineers, other railroad employees, and the public. The larger Spokane bank, although aided by the Cleveland officers, was financed largely at home.

Fifteen labor banks were sponsored by local labor groups. Ten banks were the result of more or less spontaneous interest in banking on the part of federation and union officers and the rank and file. In the more usual situation, some one man stood out as leader in the movement for a bank and bore the brunt of the work of propagandizing, planning, and collecting funds. In a majority of these banks, the local city central participated in the promotion, but this was by no means always

true. Circumstances varied from that of the Federation Bank in New York, which was supported by both the state and city federations, to that of the Jackson bank, in which the city central took no interest. The combination of crafts interested in particular banks of this group varied widely but in a majority of cases the building trades and other city crafts predominated rather than the railroad workers. The various groups interested were usually bound together more by their joint participation in promoting the bank than by any permanent body.

A final type of labor bank initiation was that in which promoters, acting in their own interest, started the bank. With an ulterior motive of profits more or less attenuated by the conviction that a labor bank would aid the labor movement, an individual or group would obtain approval from some local labor group and proceed to sell stock in a labor bank. The extent of support and assistance from local organizations varied. In the Southwest three banks were started by the same group of promoters with the support of railroad men in one case, and other crafts in the remainder. Through McCaleb, then of the Cleveland bank, the Engineers were somewhat interested in these banks. The Indianapolis bank was a stock-selling project in the beginning but was later rescued by Lewis of the Mine Workers on behalf of the local labor group. In Philadelphia a local financier along with several leading trade unionists sponsored the Producers and Consumers bank, using the unique device of a trusteeship. A false start toward a labor bank in Houston was made by promoters with little support from the labor group. Altogether at least five labor banks were sponsored almost entirely by promoters.

### B. ORGANIZATION PROCEDURE

The methods followed in organizing labor banks varied widely and have been indicated in part in discussing the growth

of the movement and the character of the organizing group. Several features and problems common to the procedure in most enterprises are, despite possible repetition, well worth consideration on account of their significance in later developments.

In the simplest type of promotion, that by a national union on its own initiative and without outside financial support, the task of organizing the bank fell upon the national officers of the union. Final decision to start a bank was sometimes preceded by the appointment, action, and report of an investigating committee more usually composed of the same officers who later brought the bank into existence. During investigation and the process of organization, the advice of friendly bankers was sought. The Engineers not only sent an investigating committee to New York but obtained the services of Howe and McCaleb to aid in the necessary preliminaries. The Amalgamated Clothing Workers already had on its research staff an economist of wide experience. Consultation was largely carried on informally at union headquarters or as a part of periodic meetings of regular or special committees. Publicity was easily obtained through union journals or circularization of members.

Where outside groups aided a national union in starting the bank, the same situation existed except that representatives of these groups acted as a part of the organization committee.

The organization of the Engineers' banks, outside of Cleveland, was carried on in varying proportions by the local committee. Officers of the local division of the Brotherhood, at first informally and later as a part of a local committee, often representing other railroad organizations and other crafts, developed plans for a bank. Officers from Cleveland visited and conferred, and laid before the local committee the definite procedure and forms necessary. On the West Coast, the officers of the Pacific Brotherhood Investment Company took a more active

part in local organization work and became, in turn, officers of the local banks. Much time elapsed in these cases, since local committees built up interest but slowly, and it was necessary to sell the investment company stock before a bank was possible. In the case of the earlier Spokane bank the local committee took greater responsibility, while in New York the Cleveland officers carried out most of the steps necessary in starting the bank.

Thus the place of the holding company in bank organization varied. The earlier Engineers' banks were formed before regional holding companies were evolved, and were controlled through the parent financial organizations at Cleveland. As time went on, the Pacific Engineers' banks became more and more the handiwork of the regional holding company officers. Outside the Engineers' chain, the holding company device was used in starting the Jersey City bank and in the futile attempts in Atlantic City and Buffalo. In Jersey City, holding company stock was sold to a large number of trade unionists and outside investors. The officers of the company then started the bank with part of the funds obtained. As in the case of the later Engineers' banks, the officers of the company became officers in the bank.

Committees, meetings, and consultation with bankers were all the more necessary in the initiation of locally sponsored banks except in those cases where promoters assumed the responsibility for arousing interest and for legal procedure. In the case of the New York Federation bank, proposals were considered by the banking committee of the State Federation, by the local bodies, a mass meeting, and a joint local committee. Throughout, one or two men took the greater share of the responsibility, but advice was obtained from a wide range of financial experts. Representatives of the Engineers, and especially McCaleb, aided in several local promotions in suggesting personnel and advising as to forms of organization. In several

cities, lawyers or judges interested in the labor movement for altruistic or political reasons aided the local labor leaders by contributing their advice, prestige, and in some cases, funds. In a few cases retired bankers coming from other cities or bankers personally acquainted with labor leaders helped, but in general little support could be expected from officers of competing institutions.

Promoters, as has been indicated, were more self-sufficient in organizing banks. While meetings of the local labor group were sometimes held, the whole scheme centered about the sale of stock. In the Indianapolis promotion, for example, the promoters were so much interested in this more lucrative part of the task of starting the bank that it was necessary for the labor representatives to call a halt.

A circumstance common to the organization of most labor banks was delay. Months and even years separated the first proposals for a bank and incorporation and opening for business. This time was taken up in investigation, conference, sale of stock, and completion of plans and legal requirements. Several proposed banks never survived this long period. Only those banks most vigorously supported were brought into existence in less than a year.

### C. THE PURCHASE OF EXISTING BANKS

In the case of eight labor banks, organization problems were greatly simplified or eliminated by the purchase of a controlling interest in existing banks. National unions, local labor groups, and promoters used this short cut into banking. In a majority of these instances, the banks acquired were in poor condition, so that their stock could be obtained at what seemed to be a bargain. The bank assumed in one instance had been closed by the national authorities. It was felt that labor support would soon put the bank in prosperous shape. The stockholders who sold

their interests were more likely to know the true condition of the bank's assets than the enthusiastic purchasers.

The chief exception to the unfortunate precedent that weak banks were acquired by labor groups was the purchase of the Rogersville bank by the Pressmen. This bank had a long record of able management and high earnings. The Hammond bank, purchased by the Engineers in 1921, although organized but a short time before, was a promising institution on account of the ability of its cashier and organizer.

The method of financing the transfer of these eight banks to labor control varied according to the character of the purchasing group. Committees or individuals assembled options for stock, which were exercised as resales to local labor groups were consummated. Where a national union or its subsidiary was involved, the resale was simplified. In one case, outside promoters bought up stock and resold it through a committee of labor representatives at an advance of ten dollars per share. In other instances, officers of banks helped the labor committee to obtain options from stockholders.

The name and by-laws of purchased banks were usually changed to conform to the ideas of the new owners, although this was not always done. In some cases the active officers were replaced and more frequently new vice-presidents chosen from the labor group interested.

### D. METHODS OF INCORPORATION

Twenty-one labor banks were incorporated under state laws and sixteen under national laws at the time of their organization or transfer to labor control. One bank, the Producers and Consumers of Philadelphia, was organized under Pennsylvania laws for private banks as a trusteeship. Another, the Philadelphia Amalgamated bank, opened as a private bank under state laws.

Many circumstances influenced the groups sponsoring labor banks in their decision as to whether a state or a national charter should be secured. The minimum capital required for national banks according to the size of city made several banks ineligible for national charter. Some of the largest banks whose proposed capital was well above the minimum for federal incorporation took out state charters, however. One of the two smallest labor banks, on the other hand, was under national supervision.

Expectation as to rigidity of examination and regulation influenced the decision as to method of incorporation. Since state regulation varied widely, apprehension as to severity of supervision worked both to encourage and discourage application for a state charter. One bank changed to a national charter after a year of operation to eliminate what it considered to be undue interference on the part of the state authorities. Several of the stronger banks sought national charters as a mark of strength, although in states with strict regulation, the same purpose was considered in obtaining state incorporation.

There was marked opposition on the part of existing banks in some cities to the issuance of a national charter to a labor bank. In one case a representation was sent to Washington by the objectors and the labor bank found it advisable to obtain control of a state bank instead of organizing a national bank. Bankers in some communities felt that their city was overbanked and others were afraid of the new departures which the labor institution might make. The same opposition hindered state incorporation to some extent, but the political influence of the labor group was more apt to be felt at the state capitol. One bank, it is reported, received a special charter as a result of the friendly attitude of the state governor. In at least one case a national charter was refused a proposed labor bank and no application was made for a state charter because it was felt to be futile.

The most unusual method of organization of any labor bank was that used by the self-appointed trustees of the Producers and Consumers Bank of Philadelphia. Under an act of 1911, the Pennsylvania laws permitted a private bank filing a bond for $100,000 to obtain exemption from state examination.[1] A declaration of trust assuming wide powers was filed by the trustees, a license as a private bank obtained, the proper bond filed, and the bank began business with utmost freedom of activity. Incorporation as a state trust company, although approved after the bank had begun business, was never exercised and was later dissolved.

The Philadelphia Amalgamated bank, started more or less as an experiment, did business under a private license, and a charter obtained as a state bank and trust company was never exercised.

## E. METHODS OF SALE OF STOCK

In a great majority of instances subscriptions for labor bank stock to the extent sold to individuals were obtained through personal solicitation by local committees receiving no commissions. This method was followed by the Engineers in the sale of the minority block in their banks outside of Cleveland, as well as by labor groups initiating entirely local banks. In one or two cases, persons devoting a large amount of time to selling stock were given their expenses. More often some one individual, such as a local officer of the sponsoring organization, sold a large part of the stock with the expectation of election to some position in the bank. Committees or individuals attended union meetings, buttonholed men at work, canvassed homes, or developed local interest through the labor press and circularization. Business agents or system chairmen with more free time and wider contacts, aided in many cases. Success

[1] Private Banking Act of June 19, 1911, P.L. 1060.

varied with the enthusiasm of the leaders and the group consciousness of the rank and file.

National unions starting banks at headquarters used the machinery of their organization to obtain subscriptions, if a minority block was to be sold to members. The union journal, bulletins, circulars, and aid from subdivision officers acting on orders or suggestion from headquarters created interest and brought subscriptions. The Engineers in inaugurating their Cleveland bank found these to be effective means and used them repeatedly with decreasing effectiveness in obtaining support for later ventures. Some national unions, however, found their members slow to participate, and continued to hold stock in the national treasury rather than push sale farther.

In at least five cities, labor bank stock was sold by salesmen on commission. This was more often done where outside promoters were responsible for the initiation of the bank. In a few instances, however, the Engineers permitted the sales force which was built up to sell holding company stock to get fees in the sale of bank stock as well. In all the later banks established by the Engineers, stock in the holding companies, which in turn provided funds for the banks, was sold on liberal commissions, exceeding in some cases ten per cent. One bank outside of the Engineers' chain was financed through the sale of holding company stock on a commission basis.

CHAPTER FIVE

## *UNIQUE FEATURES OF LABOR BANKS*[1]

MANY forces combine to make labor banks much like other banks, both in organization and administration. Most powerful of these forces are the national and state banking laws and the rules of banking departments. Whether a bank is organized under state or Federal laws, it is compelled to meet definite requirements which leave little room for experiments. It has been impossible under the present laws, for instance, for labor to organize its banks on a strictly cooperative basis of one vote to each stockholder, regardless of the number of shares owned. Local clearing houses, also, in some cases have been strong influences for conformity, particularly with regard to hours and to interest rates paid. Further, practical experience and the necessity for getting and holding business have led labor bankers to place increasing emphasis on "regular" banking.

There are, nevertheless, certain unique features which differentiate labor banks from other banks and give them their social significance. They represent, in part at least, an attempt to remodel the present financial system and as such indicate the direction in which labor, or those sections of labor which are interested in banks, feel that improvements should be made. These unique features are at the same time the sources of many of the problems and weaknesses which have beset the movement. They play an important rôle in the history of labor banking and must be taken into account in any evaluation of its results.

[1] Many of the unique features of labor banks described factually in this chapter are discussed from the point of view of banking policy in Chapters VII and VIII.

## UNIQUE FEATURES OF LABOR BANKS

### A. TRADE UNION CONTROL

Labor banks differ from other banks, first of all, in that they are owned or controlled by trade unions or trade union members. There are variations in both the circumstances and degrees of control, but a distinguishing feature of these banks is that such control exists. Both national and local trade union organizations, alone or in a wide variety of combinations, in one or in many industries, have established labor banks. There are three main types of banks, however, from the point of view of trade union control; those controlled by a single national union and its members, those controlled jointly by a group of local unions and their members, and those controlled jointly by trade union members as individuals.

Twenty-two labor banks have been controlled by national unions. In some cases, the control has been exclusive, since the union and its members have owned all of the stock of the bank. The Engineers' Cleveland bank was the first to adopt this policy. The Brotherhood has owned about sixty per cent of the stock and its members most if not all of the remainder, exclusive of the directors' qualifying shares required by law. With the latter exception, no one who was not a member of the organization could purchase stock in the bank. While this limitation is probably no longer in effect, there are still practically no holdings outside of the Brotherhood. Stock in the Engineers' bank in Boston, also, was limited originally to the Brotherhood, its members, and to the officers and directors of the bank. This limitation was removed at the annual meeting in January, 1927, although it is not known how much stock, if any, has been purchased since that time by interests outside of the Brotherhood.

The Amalgamated banks in New York and Chicago have each been owned almost exclusively by the national organization of the Amalgamated Clothing Workers of America, in conjunction with the local joint boards and individual mem-

bers of the union. The exceptions are in the case of directors' qualifying shares, stock held by officers and employees of the banks, and that held by a few special friends of the union. Although it is possible for stock to be owned by others than members of the Amalgamated, sales to outsiders must be approved by a committee. To this group of banks belongs, also, the Telegraphers National Bank of St. Louis.

Exclusive ownership by one national trade union has been limited, however, to these five or six labor banks. The remainder have been controlled through ownership of a majority or somewhat over a majority of the stock, with the minority in other hands. In two banks, the minority stock has been owned by unions in allied industries, so that practically none has been held by nonunion interests. In the Transportation Brotherhoods National Bank in Minneapolis, the majority of the stock is owned by an Engineers' holding company and the minority stock limited to members of the Brotherhood of Locomotive Engineers and of the organizations of conductors, trainmen, or firemen. Directors' qualifying shares are to be resold to the bank if the holder ceases to be a director and does not belong to one of these four brotherhoods. In the International Union Bank in New York the minority stock was owned largely by unions in allied industries.

The more usual situation, however, has been for the controlling union to sell the minority stock to the general public and to control the bank through ownership of a majority of the shares. In the case of the American Bank in Toledo, owned by the American Flint Glass Workers' Union, the minority stock owned by the public constitutes but thirteen per cent of the total stock of the bank. In the Brotherhood of Railway Clerks National Bank in Cincinnati, on the other hand, the minority holding is approximately forty-nine per cent.

To this class belong ten of the banks controlled by the Engi-

neers. In the case of these banks, the relative amount of stock owned by the Brotherhood and its members and by nonunion stockholders is complicated by the fact that the controlling stock has not been owned by the Brotherhood directly but through a pyramiding system of holding companies.[1]

The two remaining banks owned by national unions have followed the policy of allying themselves closely with a local business group. A large interest in the Hawkins County Bank was purchased in 1925 by the International Printing Pressmen and Assistants' Union of North America to supplement that owned by Major George L. Berry, the president of the Union. The Pressmen and Major Berry together own a majority of the stock. The Union's purpose has been that of investment and it has left the management of the bank to the local business group.

Ownership in the Mount Vernon Savings Bank in Washington is divided almost equally between the International Association of Machinists and a group of business men and bankers, of whom several are also interested in the Commercial National Bank of Washington. Control is held by the Machinists because of a block of stock owned by the union and its officers. Although the Machinists actively manage their own bank, they seem to work closely with the business and bankers' group. Thus the president of the Commercial National Bank is also chairman of the board of directors of the Mount Vernon Savings Bank and the two boards have three other directors in common.

Approximately one-third of the total number of labor banks have been controlled by trade union groups, including state, county, city, or local organizations and their members, rather than by a single national union. The outstanding bank of this type is the Federation Bank and Trust Company in New York, the stock of which is owned by about forty-two national unions;

[1] *See* Chapter II, pp. 44*ff*., and chart facing p. 46.

112 state organizations, central bodies, and local unions; and about 1,100 individuals, of whom 800 are trade union members. The bank is considered by some to be the most representative bank in the country, since it includes among its stockholders and depositors representatives of such various interests and industries. The Jersey City and Newark banks, also, are controlled by the federated groups of Essex County and Hudson County, New Jersey, respectively.

The employment of their members in the same or allied industries unites the controlling trade unions in the case of several local banks. Thus the unions controlling the bank at Gary, Indiana, are mainly those in the building trades. In other cases, the controlling interest in the bank is held jointly by practically all of the trade unions in the city, including both railroad brotherhoods and the locals of national unions affiliated with the American Federation of Labor.

In a few cases, labor banks have been owned by trade union members individually, with no stock held by union organizations. This was the case in the bank at Houston, since the state banking laws did not allow any organizations to own bank stock. This situation has existed, also, in the Bakersfield, Great Falls, and Jackson banks, where individual members of railroad labor groups have owned the controlling stock in the banks.

### B. SAFEGUARDS AGAINST LOSS OF CONTROL

Trade union groups have found it necessary to guard the sale of stock in their banks if they are to maintain control. Trade union stockholders are probably more likely to wish to sell than the average holder of bank stock. Their savings come from a narrow margin and may easily be wiped out by industrial or home emergencies. They have in some cases been led to expect large dividends and are likely to find it trying to receive none

during the years when the bank is becoming established. The sale of stock to outsiders by a few union members may affect the bank but little. If, however, such transfers continue, groups unfriendly to the purposes of labor banking may grow up among its stockholders and may eventually gain control of the bank.

Against such a possibility, the labor groups controlling banks have erected several barriers. One is the policy of limiting ownership of the stock to the union and its subsidiary organizations and members. This limitation is modified by the legal requirement that members of the board of directors shall own a prescribed amount of stock. If, therefore, the bank wishes to have business men on its board of directors, it must, to that extent, sell its stock outside its membership. It is possible to require that if such stockholders cease to be members of the board, they shall resell their stock to the union.

A more usual arrangement is the repurchase agreement, under which purchasers of stock agree that, if they wish to sell, they will offer their holdings to the union or to a committee acting for the union. Such an agreement may be contained in the by-laws of the bank, but is more likely to be found in the application form for the purchase of stock or on the stock certificate. Repurchase agreements vary as to details. In one case the bank agreed to purchase at par all stock offered to it. This brought a steady stream of sales back to the bank, which proved to be a serious inconvenience. The usual form of agreement is that in which the purchaser of stock promises that he will give the committee in charge an option in case he should wish to sell. Thus holders of stock in the Labor National Bank of Newark agreed as follows when purchasing their stock:

> "FIRSTLY, That in case of any future decision to sell or otherwise part with any portion of said allotted stock, an opportunity (option) to purchase same within a reason-

> able time (which shall not be less than ten days) will first be given by the undersigned in writing to a purchasing committee of one or more persons appointed by the Directors of said bank . . . on the basis of the then existing book-value as shown by the said Bank's books."[1]

The option for repurchase may have a time limit, as thirty days, or the agreement may simply require that the stock be offered to the purchasing committee before it is offered elsewhere. The purchase price may be the par value, the book value at a given time as the time of sale or the last statement, or a price set by the committee.

Repurchase agreements have not often been enforced, even where they are still considered to be in effect. Instead, the power to do so is reserved for use in case there should be danger of concentration of stock in unfriendly hands. Usually sales are made informally and registered at the bank. In certain cases, the repurchase agreement has failed to function. In one bank, the promoters who controlled its policies ignored the repurchase agreement and sold their own stock without offering it to the labor group. In a somewhat similar case, those in charge did not have the funds to repurchase stock when it was offered, and the agreement fell by default. In Texas, restriction of resale of bank stock is illegal and it is, indeed, a question whether these agreements could be enforced at law in the other states if the matter were brought to an issue.

Members wishing to sell stock in the Amalgamated Trust and Savings Bank of Chicago are urged to keep the stock and borrow on it from the union. In the case of the Labor National Bank of Jersey City, the Union Labor Investment Corporation, which controls the bank, will loan on the bank's stock and offers to find a purchaser, if desired.

Another device for assuring permanency of labor control

[1] "Subscription to the Capital Stock of a Labor Bank in Newark, N.J." Copy on file at the Industrial Relations Section.

is the provision that stock shall be issued subject to a voting proxy to be exercised by a committee, a majority of whom shall be members of the group in control. In one case where this was tried, however, it did not hold for more than one election, after which the leaders in establishing the bank disregarded the proxy and voted as individuals. In another instance, a voting trust which had been arranged was not permitted to continue after the bank secured a national charter.

Not all labor banks have attempted to regulate the resale of their stock. Approximately fifteen, including most of the Engineers' banks on the Pacific Coast, have had no restriction on sales. This has been due to the fact that the Brotherhood, through its subsidiaries, has held at least fifty-one per cent of the stock and has been sure of control regardless of sales by individuals. In the case of the Birmingham bank, the repurchase agreement contained in the original Federated Bank was omitted when its business was taken over by the newly organized Brotherhood of Locomotive Engineers Bank and Trust Company.

With the aim of continued labor control of the board of directors as well as of the stock of the bank, the by-laws of the Federation Bank and Trust Company of New York provide that a majority of the board shall at all times be members of trade unions affiliated with the American Federation of Labor. A similar clause in the declaration of trust under which the Producers and Consumers Bank of Philadelphia was organized provided that three-fifths of the trustees were to be members in good standing of recognized labor unions.

### C. COOPERATIVE FEATURES: RESTRICTIONS ON THE STOCKHOLDERS' INVESTMENT

The cooperative features existing in a large number of labor banks have attracted wide attention, so much so that it is some-

times assumed that labor banks are always cooperative banks. This impression has been strengthened by the frequent use of the word *cooperative* in the names of labor banks and by much that has been written on the subject stressing the unique features of these banks. Strictly speaking, no labor bank in the United States has been technically cooperative since, among other things, none has been organized on the basis of one man, one vote.[1] Neither the Federal nor state laws have allowed this basis for voting. But from the beginning many of these banks have had certain cooperative features in their policies and by-laws, and these features have awakened great enthusiasm among many inside and outside of the labor movement. They include limitation of the number of shares to be held by any one person or organization, limitation of the dividends to be received by stockholders, control of the market price of stock, and most important in theory at least, profit sharing with depositors.

Limitation on the size of individual holdings approaches somewhat the cooperative ideal of an even distribution of voting power. Although all stockholders do not have equal power in voting, yet unduly large holdings and concentration of power in a few hands are eliminated by this device. Such a limitation is less usual among labor banks than might be supposed. Of the thirty-nine institutions which have at one time or another functioned as labor banks, approximately twenty-one have placed no limitation on the number of shares which could be held by one person or individual. With the exceptions of the Engineers' Cleveland bank and the Peoples Co-operative State Bank of Hammond, the by-laws of none of the Engineers' banks contained this limitation.[2] In some of these twenty-one

[1] The holding company in control of the Tucson bank was first organized on this basis. In 1925 the company was reorganized and voting was placed on the usual basis of one share, one vote.

[2] The Peoples Co-operative State Bank of Hammond was owned by the

banks, the sale of stock was difficult enough without placing limitations on larger subscriptions. Moreover, some banks were owned in large part by wage earners, and individual holdings were limited because of the comparatively small means of the purchaser. The repurchase agreements and the purchasing committees in many banks, while intended primarily to guard labor's control, prevented large holdings among nonlabor interests and thus helped to keep the stock scattered.

At least twelve labor banks have placed definite limitations on the number of shares of stock to be owned by one person or organization. The New York Federation Bank and Trust Company, for instance, now limits holdings by individuals to twenty-five shares and holdings by organizations to fifty shares. Likewise the Labor National Bank of Paterson has placed limits of twenty and sixty shares on holdings by individuals and organizations, respectively. The Gary Labor Bank distinguishes in its restrictions between those connected with the trade union movement and those outside. Trade union members or organizations may own not more than twenty-five shares, while outsiders are limited to five.

In banks controlled by a single trade union rather than by local groups, the limitation applies only to holdings by individuals. In the Engineers' Cleveland bank, none of the holders of the minority stock can own over three shares except in the case of directors' qualifying shares. In the Toledo bank, the limitation applies only to individuals not members of the American Flint Glass Workers' Union.

Where there have been changes in the regulations concerning the number of shares allowed stockholders, either the allowance has been increased or the limitation removed. The Chicago

Brotherhood of Locomotive Engineers from November 1, 1921, when it was purchased from nonunion interests, to May, 1926, when it was sold to local trade union groups.

Amalgamated Trust and Savings Bank limited individual holdings to three shares in 1925, but now allows ten shares. The New York Federation bank, also, has increased the minimum allowed from ten for individuals and twenty-five for union groups to twenty-five and fifty, respectively.

### D. LIMITATION OF STOCKHOLDERS' DIVIDENDS

More important than the limitation of the number of shares permitted stockholders, is the limitation of dividends. This policy, and the closely allied policies of restricting the market and price for stock and paying dividends to depositors, are the features of labor banking which most nearly approach cooperative banking. The incorporation of these features in many labor banks was a result of the interest in cooperation which existed during the early days of labor banking.[1] Stone favored the limitation of dividends in the Cleveland bank, and found ardent support in Howe, who was selected by the Brotherhood to advise in the organization of the bank, and in McCaleb, who became its first vice-president and manager.[2] The application of cooperative principles to the labor banks which were organized in the following years seemed both appropriate and desirable and all except two of the twenty-four started during the next four years adopted, in theory at least, the policies of limiting dividends and sharing profits with depositors. New Engineers' banks followed the pattern set by the Brotherhood in its first and most important bank. Other unions were influenced to do so, both by their own interest in the cooperative movement and by the prestige and success of the Brotherhood banks. The direct influence of the Engineers was exerted by means of addresses made by its officers at the annual conven-

[1] *See* Chapter I.

[2] *Locomotive Engineers Journal*, August, 1925, p. 578; Frederic C. Howe, *Confessions of a Reformer*, p. 333.

tions of other trade unions and state federations, and the help extended the latter during the formation of new banks. McCaleb, of the Cleveland bank, who was a vigorous advocate of profit sharing, addressed many conventions of labor organizations. Stone also used his influence through speeches and writings to encourage the use of the cooperative device. The Tucson and the Amalgamated banks alone, among the earlier institutions, were probably less influenced by the Engineers' example than by their sponsors' belief in cooperative principles.

The provision for a limitation of dividends is usually contained in the by-laws, the application for stock, or the stock certificate, although in one bank it appears in the charter of the association controlling the bank.[1] The maximum rate is ten per cent in all the banks having such a limitation except in the case of the Producers and Consumers Bank in Philadelphia, where it was eight per cent cumulative. This rate was to be based in most cases on the par value of the stock, although two banks have provided that paid-in surplus should be included.

The extent to which limitation of dividends has been adopted, at least on paper, by labor banks is indicated by the fact that approximately twenty-nine out of the total thirty-nine have had such a provision at some time in their existence as labor banks. Eight banks, as far as it is possible to determine, have never had such a policy. In the case of the twenty-nine, the fact that they have adopted the limitation does not necessarily mean that no dividends greater than ten per cent will be paid to stockholders, but only that the boards of directors have been given the power to limit the dividends, if they deem it wise when the time comes at which more could be paid.

[1] In the Producers and Consumers Bank of Philadelphia the provision was contained in the declaration of trust under which the bank was organized. In the United Bank and Trust Company of Tucson, Arizona, the stock was originally held by the Tucson Cooperative Association, which had in its charter a provision for limitation of dividends.

## DIVIDENDS PAID BY LABOR BANKS[1]

| YEAR | NO. OF BANKS IN EXISTENCE | NO. OF BANKS PAYING DIVIDENDS | DIVIDEND PERCENTAGES |
|---|---|---|---|
| 1920 | 1 | 0 | |
| 1921 | 3 | 2 | 1 @ 1%<br>1 @ 6% |
| 1922 | 7 | 4 | 2 @ 5%<br>1 @ 7%<br>1 @ 10% (Cleveland) |
| 1923 | 14 | 4 | 1 @ 5%<br>1 @ 9% (Hammond)<br>1 @ 10% (Cleveland)<br>1 @ 10½% (San Bernardino) |
| 1924 | 25 | 5 | 1 @ 2%<br>1 @ 5%<br>1 @ 6%<br>2 @ 10% (Cleveland, Hammond) |
| 1925 | 30 | 9 | 1 @ 4%<br>1 @ 5%<br>4 @ 6%<br>2 @ 10% (Cleveland, Hammond)<br>1 @ 20% (New York Federation, includes 12% extra) |
| 1926 | 36 | 14 | 1 @ 3%<br>1 @ 4%<br>5 @ 6%<br>2 @ 7%<br>2 @ 8% (New York Amalgamated, San Bernardino)<br>2 @ 10% (Cleveland, New York Federation)<br>1 @ 18% (Rogersville) |
| 1927 | 33 | 15 | 1 @ 2%<br>1 @ 3%<br>1 @ 5%<br>5 @ 6%<br>3 @ 7%<br>1 @ 8% (New York Amalgamated)<br>2 @ 10% (Hammond, New York Federation)<br>1 @ 20% (Rogersville) |
| 1928 | 28 | 14 | 1 @ 2%<br>1 @ 3¾%<br>1 @ 4%<br>2 @ 5%<br>5 @ 6%<br>1 @ 8% (New York Amalgamated)<br>2 @ 10% (Hammond, New York Federation)<br>1 @ 20% (Rogersville) |

[1] "Number of banks in existence" for any year includes those in existence on June 30 of that year. Dividends paid in January of any year included with those of the year previous. Stock dividends not included.

In the meantime, many labor banks have never paid any dividends and only a very few have ever paid them at rates approaching ten per cent. The tabulation opposite gives the number of labor banks paying dividends each year beginning with 1920 and the number of payments made at each of the various rates.

A study of the tabulation will show that only five banks have paid dividends of eight per cent or more for any length of time and that of these five, the Cleveland bank has reduced its payments during the past two years. Moreover, neither the New York Federation Bank and Trust Company nor the Hawkins County Bank limits stockholders' dividends. It thus becomes evident that limitation of dividends except in not over three of the banks is at present a highly theoretical matter.

Control of the market for stock and of the price at which it sells is essential if limitation of dividends is to be of much effect. If resale restriction is possible, the price may be kept at par, may be specified as the book value of a given date, or set periodically by the committee. Control of the market price is intended to eliminate speculation in the stock and circumvention of dividend limitation through sales at marked profit.

### E. PAYMENT OF DIVIDENDS TO SAVINGS DEPOSITORS

The policy of paying dividends to savings depositors in addition to their regular interest is in accordance with the cooperative doctrine that the customers of any business should share in its profits. Only the savings depositors have been included by labor banks in this policy, although there is no reason in theory why other customers including commercial depositors and borrowers should not be paid dividends or rebates from the bank's earnings in proportion to the amount of their deposits or borrowings. The inclusion of the latter has been suggested as

necessary if labor banks intend to be truly cooperative institutions.

The policy of sharing profits with savings depositors is, of course, closely allied to that of limiting dividends to stockholders. In fact, the cooperative dividend would seldom be possible without this limitation. The same twenty-nine banks which have adopted one have adopted the other as well. Only three banks, however, have paid dividends to their depositors and of these three only one, that at Hammond, has continued to pay them through 1928, as is indicated by the following tabulation:

COOPERATIVE DIVIDENDS PAID BY LABOR BANKS TO SAVINGS DEPOSITORS[1]

| | 1921 | 1922 | 1923 | 1924 | 1925 | 1926 | 1927 | 1928 |
|---|---|---|---|---|---|---|---|---|
| Cleveland, Ohio B. of L.E. Co-operative National Bank | 1% | 1% | 1% | 1% | ½ of 1% | | | |
| Hammond, Ind. Peoples Cooperative State Bank | | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Spokane, Wash. The Brotherhood Co-operative National Bank of Spokane | | | | ½ of 1% | ½ of 1% | ½ of 1% | ¼ of 1% | |

[1] For dividends paid stockholders *see* Appendix B.

Since 1925 and 1926, the trend in labor bank opinion and practice has been away from cooperative principles. This is evident from the number of banks which since that time have revised their policies in this respect. A few have definitely eliminated profit sharing provisions from their by-laws. For example, in 1925 the association controlling the Tucson bank was reorganized and, among other changes, the limitation on dividends was omitted. Likewise, when the assets and liabili-

ties of the Federated Bank and Trust Company in Birmingham were taken over by the Brotherhood of Locomotive Engineers Bank and Trust Company, neither the ten per cent limitation nor the provision for profit sharing was retained. More important still was the action taken by the Federation Bank of New York at its annual meeting in January, 1926, when the co-operative features originally a part of the bank's policy were eliminated. The following extracts from the president's report explain the reasons for recommending the change:

". . . When we were organizing this bank, and in order that it would be an inducement for us to secure additional business, it was thought advisable to insert a clause in the original subscription blanks, also in the stock certificates, to the effect that after ten per cent. dividend had been paid on the investment of the stockholders, a portion of the profits would be divided with the depositors.

"Now practical banking experience demonstrates that in order for a bank to have stability, standing, prestige, and rest upon a strong foundation, it should have as large a surplus and undivided profits account as possible for the protection of not only the stockholders' investment, but also as additional assurance to the depositors that they are getting the best kind of conservative management and additional security for the money they entrust to our care.

"The most important item to consider in this connection is, that this matter was taken up by your president and directors with the counsel for the bank and other men of high standing in the judicial and legal profession, and they were all of the same opinion, that while our purpose was clearly defined, the language of the clause was subject to many interpretations, that we should be leaving the bank's business open to attack by litigation of some dissatisfied depositor or enemy, so that it is now imperative for this meeting to eliminate this clause from all our records at the earliest possible moment, for the proper protection of the stockholders' investment. . . ."[1]

[1] Quoted in *Bloomfield's Labor Digest*, February 27, 1926, p. 3396.

The changed attitude toward cooperative principles in connection with labor banks is evident also in the fact that, beginning with about June, 1925, no additional labor banks were placed on this basis. Thus the banks at Toledo, Gary, Houston, Rogersville, and Jersey City never adopted the policy of limitation of stockholders' dividends nor that of payment of dividends to depositors.

Moreover, even among those banks which have not definitely changed the provisions in their by-laws, there has been, in a large number of cases, a change in attitude toward this policy. Except in comparatively few cases, a belief in "regular banking" has displaced the earlier enthusiasm for cooperation. Indicative of this tendency is the fact that of nine labor banks which have changed their titles, six have discarded the word *Cooperative.*[1]

[1] Despite this trend in labor banking, bills have been introduced in the legislatures of several states and in Congress to authorize the establishment of banks on an entirely cooperative basis. The following is a summary of the one introduced by Senator Brookhart in the United States Senate in February, 1928. (70th Congress, 1st Session, S. 3024, February 6, 1928: "A Bill to provide for the establishment of Federal cooperative banks and a Federal cooperative reserve system, and for other purposes.")

1. Federal cooperative banks may be non-stock, membership corporations or stock corporations. If former, membership certificates to have face value of from $25 to $100; minimum number of paid-up memberships required to commence business, 200. If latter, par value of capital stock to be $100; minimum paid-in capital stock required to commence business $25,000.
2. Each member or shareholder to have one vote only. Voting to be in person and not by proxy.
3. Minimum number of directors, five; to reside in same state as bank or within fifty miles.
4. Federal cooperative banks to contribute annually to "deposit guaranty fund" administered by Federal Farm Loan Board from which depositors to be reimbursed in case of failure of bank.
5. Dividends in stock corporations limited to five per cent of the par value of the stock.
6. Three-fourths of the net earnings after payment to deposit guaranty fund and payment of dividends to stockholders to be paid to depositors and borrowers of the bank in proportion to the total amount of interest received from or paid to the bank by such depositors and borrowers.

F. METHODS OF SECURING DEPOSITS

Labor banks have two fields from which to draw their deposits. One is the trade union field, including the sponsoring unions, other unions in the vicinity, and trade union members; the other is the general public. Deposits may be secured from the first group partly because the bank is a trade union institution; they can be secured from the general public on the grounds of the safety and returns offered.

Appeals for deposits from trade union organizations and members are made through the various channels of union publicity. These include speeches and resolutions at conventions, articles and advertisements in trade union journals and labor newspapers, and special drives arranged for the purpose. In all of these, the appeal is in part, if not largely, an appeal to class consciousness, and there is often much said about the use of other banks to crush labor and the possibility of labor's use of the power of credit to advance its cause. Deposits from local union groups, also, are secured through individual contacts. Visits at union meetings have sometimes been found effective. Members of the bank's board of directors have been chosen partly on the basis of their ability to interest as many groups as possible. Some of the banks offer the use of rooms in their buildings for trade union meetings. Various other services, such as the collection of union dues for local groups, are aimed to bring individual members to the bank and to influence them to become depositors.

Labor banks have found it very necessary, however, to secure

7. No loans to be made the proceeds of which are to be used for speculative investments. No person or firm to borrow over five per cent of the total deposits of the bank.

8. Federal cooperative banks (and state cooperative banks upon application and acceptance) shall be members of Federal Cooperative Reserve Bank in the district in which they are located. These, with the Federal Farm Loan Board, to comprise the Federal cooperative reserve system corresponding to the existing Federal Reserve System.

support from sources outside the trade union movement. The statement has frequently been made that only about fourteen per cent of the deposits of the Brotherhood of Locomotive Engineers Co-operative National Bank of Cleveland came from organized labor. A canvass of the existing labor banks shows that as far as statistics are available, the proportion of depositors who are trade union members is very seldom over fifty per cent and is considerably less in a large number. Labor banks have been compelled to secure most of their patronage from outside the labor group on the same basis as other banks. They have placed more than the usual emphasis on certain special services to depositors partly because such special services are in line with their cooperative features, but also as a means of attracting business.

Labor banks frequently offer higher rates of interest than usual on savings deposits as, for instance, four per cent in communities where other banks are paying three or three and one-half. Others, while keeping to the usual rate, have computed savings interest on a basis unusually favorable to depositors. For example, some compound interest on savings accounts quarterly, whereas other banks in the community compound it only semiannually. Several labor banks pay interest from the date of deposit to the date of withdrawal, whereas usually deposits made after the first of any month do not draw interest until the first of the following month except for a few days of grace, and no interest is paid for the whole three- or six-months' period on sums withdrawn before the close of the period.[1] Either of these variations in method may considerably increase the amount of interest. The following illustrates the possible difference between interest computed in the usual manner and that computed from date of deposit to date of withdrawal:

[1] *cf.* P. A. Pflueger, "Fifty-one Ways to Figure Interest." *Savings Bank Journal*, November, 1928, pp. 12-14, 78-81.

"The Telegraphers National pays interest on Savings Accounts from date of deposit. Your money does not lie unproductive for *you* at the bank until the first of the following month, as it may now in other banks if you happen to make your deposit after one of the first few days, usually the fifth, of the month. One hundred dollars deposited in other banks, for instance, on June 11th, draws no interest at all until July 1st; in The Telegraphers National by July 1st it has already earned 16 cents.

". . . The Telegraphers National figures your loss of interest on savings withdrawals, that have remained on deposit thirty days, only from the date of your withdrawal, and not from the first balance or deposits of the interest period sufficient to cover the withdrawal. An example will point out how interest is figured on withdrawals by other banks. You deposit $100.00 on July 1st. You withdraw $50.00 of it December 15th. You receive interest on January 1st only on $50.00 for six months, that is, 75 cents; nothing at all on the $50.00 withdrawn December 15th, although it was on deposit for five and one-half months. The Telegraphers National pays you interest on $100.00 from July 1st to December 15th, $1.37, and interest on $50.00 for fifteen days, 6 cents, a total of $1.43, or almost twice the amount paid by the other bank."[1]

Insofar as it is possible to compare interest allowances figured in so many ways, it appears that at least fifteen of the total thirty-nine banks have paid interest to their savings depositors on a more liberal basis than that paid by other banks in the same communities, and that approximately twelve of the twenty-two now in existence continue to do so. The increased interest paid has most frequently been due to the higher rates in effect, but in a few cases has been because of the method of computation. This is exclusive of the cooperative

[1] "Additional Safeguards; Additional Interest." Pamphlet issued by the Telegraphers Bank of St. Louis. 1923.

dividends paid by the Cleveland, Hammond, and Spokane banks.

At the same time, the tendency is undoubtedly away from unusually generous rates and methods. At least ten banks have revised their methods of computing interest on savings, and in every case the revision has brought rates or methods more into line with those of other banks.[1]

Most of the labor banks have remained open longer than the usual hours in order to make it more convenient for workers to use the bank. The most extreme case in this respect was that of the Producers and Consumers Bank of Philadelphia, which was open from 9 a.m. to 10 p.m. daily. Labor banks in railroad centers have adopted the policy of longer hours on the paydays of important roads. For example, the bank in Great Falls is open until 5 p.m. on Great Northern paydays and the one in San Bernardino, on Santa Fé paydays. In other localities, however, the extra hours are on one or two days a week, as for instance, on Saturday or Monday evenings or on Saturday afternoons, thus giving those regularly employed an opportunity to come to the bank outside of their working hours. Many of the banks open at this time are located in the larger cities or in the suburbs of New York, where there is a large industrial or commuting population. The two New York banks keep unusually long hours. The Amalgamated Bank is open from 9:30 a.m. to 6 p.m. daily except Mondays, when it is open until 7 p.m., and Saturdays, when 5 p.m. is the closing time. The Federation Bank and Trust Company does business from 9 a.m. to 6 p.m. except on Saturday, when it closes at 3 p.m. While other banks are open evenings, generally Mondays or Saturdays, in some communities, labor banks have employed this service to a greater extent than is usual, and have emphasized

[1] For further discussion, *see* Chapter VIII, pp. 175*ff*.

it in their publicity. Here, as in the case of special interest paid depositors, however, there have been many changes in the direction of conformity to usual banking practice. Twelve or more banks have shortened their hours and in a few cases have done so repeatedly.

Special arrangements for the collection of deposits at shops or other places of work have frequently been referred to as a labor bank service, but such arrangements seem to be in effect in not more than five banks. Collections in these cases are made by one of three methods: authorized deductions from wages are deposited by the firm, savings are paid by employees to a representative of the firm for deposit, or a representative of the bank collects savings in the shop or other place of work. But these methods are used only to a limited extent, where they are used at all. Thus the Labor National Bank of Paterson makes no collections outside of the bank except in the case of Christmas Clubs. The Chicago, Cleveland, and Cincinnati banks send messengers for collections and the Mount Vernon Savings Bank in Washington collects in a number of government departments and private firms.

Banking by mail is a method of increasing deposits which has been employed by several labor banks. The Engineers National Bank of Cleveland has approximately $3,000,000 in mail deposits, mostly from railroad men. Approximately thirty-three per cent of the depositors in the Telegraphers National Bank of St. Louis bank by mail and their accounts amounted to over $1,240,000 in 1927.[1] For the most part, the banks receiving mail deposits in any volume are those controlled by a national union and the mail deposits received by these banks are sent by members. The New York and Chicago Amalgamated banks, however, receive mail deposits not so much from members as from a small group of liberal sympathizers throughout the

[1] *Railroad Telegrapher*, June, 1927, p. 498.

country. Deposits made by mail are generally placed in time certificates or savings accounts. Few banks, if any, encourage checking accounts by mail.

An insurance plan in connection with savings deposits, referred to as assured thrift or insured savings, has been used by several labor banks. The usual arrangement is for the depositor to make regular payments toward the accumulation of a given sum, the payments varying according to the sum chosen. The bank meanwhile places insurance on the life of the depositor so that if he should die, his heirs would receive the full amount of his proposed savings. The Chicago Amalgamated Trust and Savings Bank used a $5,000 health and accident policy, instead of life insurance. Their plan has since been discontinued, however. The Engineers organized the Assured Thrift Agency as a subsidiary of the Pacific Brotherhood Investment Company to handle insured savings for their Pacific banks. The Assured Thrift Corporation was later formed to take care of this business in the Brotherhood's eastern banks. It has been reported that the Engineers through the Brotherhood Investment Company or the Pacific Brotherhood Investment Company paid something over $300,000 for the idea of assured thrift, although there was nothing new in the method and nothing on which a patent could have been placed. These Assured Thrift companies have ceased to operate and where insured thrift plans remain in effect in other than the Brotherhood of Locomotive Engineer banks, the banks act only as depositories for the premiums.

### G. THE DEVELOPMENT OF SMALL LOANS

An important special use of funds by labor banks has been that in small loans. More than other banks, labor banks have felt the pressure of the need for emergency loans by men who have neither real estate nor securities to offer as collateral.

There are reliable institutions other than labor banks which minister to the needs of small borrowers. These include Morris Plan banks, credit unions, building and loan associations and, more recently, certain large banks throughout the country.[1] Some labor banks do little of this form of lending because these institutions fill the need in their localities. The Labor National Bank in Jersey City, for instance, has few applications for small loans because of the considerable number of industrial loan offices in the city. The Federation Bank and Trust Company of New York does not make a specialty of small loans but urges instead the use of credit unions or building and loan societies.

While many labor banks do not make small loans more frequently or on any different basis than other banks in the same localities, several have separate departments to take care of this business and have developed it as a special service of the bank. Among the latter is the Amalgamated Bank of New York, which makes a feature of loans to borrowers unable to furnish real estate or securities as collateral. Such loans are made in amounts of from $50 to $500.[2] The signatures of two comakers, in addition to that of the borrower, are required. Repayment in ten monthly installments is arranged for. Interest

[1] At least forty large banks not connected with labor operate industrial loan departments where regularly employed individuals of good reputation may borrow in an emergency without collateral. The best known is probably the National City Bank of New York. Its Personal Loan Department lends from $50 to $1,000 without collateral to salaried men and women. A six per cent discount at the time of the loan is the only charge. Deposits toward the final repayment are required each week or month and interest is paid on them at the rate of three per cent. Most of these loans have been made on notes signed by the borrower and two comakers. Insurance is provided by the bank protecting comakers against loss in case of the death or permanent disability of a borrower. During the first year of its operation, this department loaned a total of $16,529,805 to 51,203 applicants and it reports that its losses from failure to repay have been negligible. The plan was inaugurated on May 3, 1928. For descriptions of the plan, see *Number Eight*, the monthly magazine of the National City Bank, May and July, 1928, and May, 1929.

[2] The Chicago Amalgamated bank now uses the same plan.

at the rate of six per cent on the balances outstanding each month and a small fee varying according to the need for investigation are deducted at the time of the loan. The borrower thus knows at the outset how much the loan will cost.[1] The means of repayment are left to the individual. He often starts a savings account. It was formerly required that he do so in order to provide funds for a lump sum repayment at the end of the period of the loan. This was found to increase overhead expense considerably, since many savings accounts started in this way were not continued, and the interest paid on them left the bank little to meet the expense they incurred. Unnecessary investigation is saved by interviewing all applicants in person. Those in charge know many of the applicants or can obtain information about most of them through union officers or through the shops in which they work. During 1928, 4,143 individual loans were made, aggregating $992,970.[2]

[1] A statement of the amount of each of the ten repayments and of the interest on the unpaid balances is printed on the back of the note signed by the borrower. For example, the installment payments and interest on a loan of $200 are given as follows:

| INT. | PYT. | BAL. |
|---|---|---|
| | | $200. |
| $1.00 | $20. | 180. |
| .90 | 20. | 160. |
| .80 | 20. | 140. |
| .70 | 20. | 120. |
| .60 | 20. | 100. |
| .50 | 20. | 80. |
| .40 | 20. | 60. |
| .30 | 20. | 40. |
| .20 | 20. | 20. |
| .10 | 20. | nil. |
| $5.50 | | |

| | |
|---|---|
| | $200.00 |
| Less Int. | 5.50 |
| Net | $194.50 |

[2] *See The Advance*, January 18, 1929, p. 3. Members of the Amalgamated Clothing Workers of America may secure loans, also, through the Amalgamated Clothing

Not over seven or eight other labor banks of the total number have emphasized this service and perhaps ten more have continued to offer it largely as a goodwill feature. Outstanding among the former are the banks in Chicago and Cincinnati. Besides these a few have formal plans, but frequently this business is on an informal basis since it is not large enough to have required a system and fixed rules.

In most cases, one or more endorsers or comakers are required by labor banks making unsecured or "character" loans. Most plans require that at least one endorser or comaker must be a property owner or a depositor of the bank. The Gary Labor Bank requires signers to be owners of Gary real estate. The Federation Bank and Trust Company, when it makes small loans, requires that the note be endorsed by a depositor of the bank. The Cincinnati bank carries insurance on loans, so that comakers are protected in case of the death or disability of the borrower. The Toledo and Washington banks loan on endorsement by trade unions carrying accounts. The latter bank does not loan to others than trade union members. Several banks cooperate with the credit rating agencies in their city and the Cincinnati bank exchanges credit information with the Morris Plan and Wymoset Plan banks.

The rates charged on small loans vary with individual cases and with the plans made for repayment, whether in lump sum, occasional payments, or regular installments. When install-

Workers' Credit Union of New York. Most of these loans are for sums ranging from $100 to $200, although they may amount to as much as $2,000. They are secured either by collateral, including credit union stock, or by endorsement by another member of the union or others whose references are satisfactory. Loans are made primarily on the basis of the character of the borrower. Repayments are made in weekly installments and all loans are limited to one year. Interest is limited to five and nine-tenths per cent. Both the number and volume of loans have increased during the first three years of the Union's activity. The losses due to nonpayment amount to less than $100. The cost of administration has been low, due to the fact that loans are made to members of the Union only so that the check-up on requests is simple.

ment repayments are a part of the plan, interest is sometimes allowed on the repayments. In other cases interest is charged only on the unpaid balances. More frequently, however, a flat rate is charged on the loan for the full period, and no interest allowed on installment repayments.

### H. LOANS TO AID UNION RECOGNITION

The theory that labor banks would refuse to loan to firms because of their labor policy has been practically discarded.[1] A canvass of these banks shows that the present attitude is overwhelmingly in favor of deciding upon commercial loans on a purely business basis. The Amalgamated banks in New York and Chicago refuse to loan to employers running open shops if there is a union in the industry and community, although this policy is probably limited for the most part to the garment trades and is highly exceptional.

In a few cases, labor banks have been able to help employers favorable to labor. In Hammond, Indiana, for instance, the building trades workers asked for a raise in wages but the banks in the city refused to loan to contractors who paid the higher rate. The Peoples Co-operative State Bank financed an employer who had work to be done and who was willing to pay the higher wage, so that the opposition to the increase was broken. The Amalgamated Bank of New York, through the union, has loaned to seven fair concerns to keep them in business or to open up a new field of organization. One of these concerns employed three thousand Amalgamated members and the loan was instrumental in keeping these members employed. The experience of the Amalgamated union in these instances has been favorable and probably other occasions for such advances will arise. It is significant, however, that the union stands as borrower in these loans and has been responsible for

[1] *See* Chapter IX for discussion of the policies involved.

repayment, regardless of what may befall the company assisted.

Boeckel in *Labor's Money* records an instance of strategic lending which came to be a well-worn precedent in labor bank propaganda. During a strike of machinists against a wage reduction and the open shop in the ship repair yards of Norfolk in 1920, one firm continued to operate under union conditions. At the suggestion of the employers' association, Boeckel states, the bank financing this firm called a large loan. To keep the company operating and thereby to afford employment to union machinists, the Machinists' bank in Washington advanced funds to meet the loan. Although the company was kept operating for some time, it finally ended in bankruptcy and was bought in by the union to protect the loan. The advantage which the union secured through the bank's loan was a saving in strike benefits, since the strike was lost.[1]

On two other occasions the Machinists' bank has lent funds to aid strikers. In one instance, painters fighting the open shop were advanced funds to enable them to contract for work. In the other, individual jewelry workers striking for recognition were aided in the same way as any small borrowers. In both instances the strikes were successful.[2]

The New York Federation Bank participated in one incident of this nature. In that city in May, 1923, a group of bankers acting in conjunction with some building contractors announced their opposition to the demands of the local bricklayers' union. The latter countered by proposing that fair em-

[1] Richard Boeckel, *Labor's Money*, pp. 4-12.

[2] A fuller account of these instances of strategic loans will be found in Richard Boeckel, "Labor Banks in the United States," *Bulletin of the Pan American Union*, July, 1925, pp. 673-681; and in "Organized Labor's Constructive Participation in American Finance and Industry." *Law and Labor*, March, 1926, pp. 83-88. The summary here given has been otherwise verified.

ployers borrow from the Federation bank and place their deposits with that institution. The bankers of the city did not present a solid front, however, and it was fortunate for the labor institution that it was not called upon to make good the offers made on its behalf.[1]

But one instance is recorded in which an officer of an Engineers' bank attempted to advance the recognition of a trade union.[2] The attempt was nipped in the bud but too late not to cause the Engineers' Pacific Coast institutions and its author considerable dismay.

In August, 1924, the acting cashier of the Brotherhood Cooperative National Bank of Spokane wrote a letter containing the following paragraphs to a customer of the bank.

> "Your differences with the Labor organizations have developed to such a point that this Bank is obliged to take notice of them in connection with the line of credit that has been extended to you.
>
> "As you are aware, it is our policy to support and assist the Labor movement when not inconsistent with good banking practice. The greater majority of our depositors are members of labor organizations and the stock of this Bank is very largely held by men who carry Union cards. Under these circumstances it is not possible for us to continue business relations with you when by so doing we might even indirectly assist in the establishment of the "Open Shop" in your business.
>
> "It is also our belief that your failure to adjust your differences with the Union and operate a Union shop is materially to your disadvantage and is bound to impair your credit standing. For these reasons it is necessary for

[1] *cf.* Bricklayers, Masons and Plasterers International Union, *Convention Proceedings*, 1924, p. 83.

[2] The instance occurring in the Hammond bank can scarcely be credited to the Engineers' system to which the bank belonged for a period. The management of this bank was always more independent of supervision from Cleveland than any other Brotherhood institution.

us to advise you that it will be impossible to renew any part of your loan which becomes due September 20th."

The letter became well known in local banking circles and even Stone himself felt it necessary to disclaim the policy suggested in it as that of the Brotherhood system.

### I. OTHER USES OF FUNDS

The banks at Chicago, Gary, Indianapolis, Paterson, Washington, among other labor banks, loan to workers on first mortgages, thus making home building and owning possible for their patrons. Some labor banks feel that they cannot go into this business to more than a limited extent since the assets so invested are not sufficiently liquid. Others regard a real estate department as a good substitute for overspecialization in bonds. Competition from building and loan associations and mortgage companies limits the amount of this business in some cities. In one labor bank, several of the officers who were owners of a nearby building and loan company used their bank contacts to build up their private business.

The Amalgamated Bank of New York played an important part in the financing of the building of the Amalgamated Cooperative Apartments in New York, which have made home owning possible for over three hundred members of the union. The project was handled by the A.C.W. Corporation, a subsidiary of the union. The tenant-owners were charged $500 a room, of which one-half was paid in advance. Loans were arranged for most of the tenants through the bank or the Amalgamated Clothing Workers Credit Union, with the help of the *Jewish Daily Forward*. The bank also made loans to the A.C.W. Corporation and assumed the mortgage on the land until the first mortgage on the completed building was secured. All the loans were liquidated at the close of 1927, when a first

mortgage loan of $1,200,000 was made by the Metropolitan Life Insurance Company.[1]

A similar undertaking was planned by the International Ladies' Garment Workers' Union. In the spring of 1925, the bank sponsored by this union undertook to carry out a plan of cooperative housing for members of the union and of affiliated labor organizations. Land was secured and plans prepared for the construction of a building. The bank was to finance the undertaking. The work of construction was about to begin when an upheaval in the union in New York interfered. It was decided in view of the unsettled state of the union to postpone operations indefinitely.[2]

Since labor banking in its early stages was influenced by the cooperative movement, it would seem logical that loans to cooperatives should be included in its program of service. Boeckel in *Labor's Money*, written in 1923, refers to sound and well-managed cooperatives as favorite borrowers.[3] However, the present attitude of practically all labor bankers, except those connected with the Amalgamated banks, is distinctly opposed to such loans. The question does not arise in many cities, since there are no cooperatives in the community. The reason most frequently given for refusing to loan to cooperatives is that they are not considered good risks. Some banks have had unfortunate experiences with such loans. The Minneapolis bank found them slow pay. The Telegraphers' bank in St. Louis loaned to a wholesale cooperative which later failed but the bank did not lose because of real estate collateral. Likewise, the bank at San Bernardino made a loan to a cooperative laundry and was forced to secure repayment from endorsers.

[1] *See The Advance*, December 30, 1927, and Amalgamated Clothing Workers, *Report of the General Executive Board*, 1926-28, pp. 92-98.

[2] "International Union Bank Finance Cooperative Homes for Union Members." *Justice*, February 20, 1925, pp. 1, 2; International Ladies' Garment Workers' Union, *Convention Proceedings*, 1925, p. 175.

[3] *See* Richard Boeckel, *Labor's Money*, p. 128.

The Amalgamated banks, however, have loaned to the parent union to enable it to develop various cooperative enterprises in addition to the apartments already discussed. Leroy Peterson, when cashier of the Amalgamated Bank of New York, is quoted as stating at the Fourth Congress of the Cooperative League of America that the bank had established the definite principle of making loans to credit unions.[1] Several cooperative enterprises have been formed in connection with their apartments which have been aided by the bank. A corporation called the *A.C.W. Service Corporation* has been organized among the tenants for the purpose of cooperative purchasing of supplies. Milk, ice, and eggs are now purchased on a wholesale basis and it is planned to extend this service to include a grocery store, a fruit and vegetable store, and a drug store.[2]

A further means of cooperative investment partially affiliated with the bank is provided by the *Amalgamated Investors, Inc.*, an investment trust. All of the voting stock of this organization is held by the Amalgamated Clothing Workers of America, which has sole control over its policy. Individuals or organizations who wish to invest may do so by buying investment certificates of the corporation issued in units of $500 and $1,000. The earnings of the corporation are divided as follows: the management reserves a dividend of three-fourths of one per cent as a management charge; the investors receive dividends of six per cent per annum if the returns permit; any earnings in excess of six and three-fourths per cent are divided in the proportion of ninety per cent to the investors and ten per cent to management. During the two years ending March,

[1] Harry W. Laidler, "The Forward March of Labor Banking," *International Trade Union Review*, April-June, 1925, p. 99. Loans to credit unions are quite usual in New York State and are considered very safe.

[2] "Tenant-Owners of A.C.W. Houses to Launch Cooperative Projects." *The Advance*, December 30, 1927, p. 16.

1928, investors received eight per cent and twelve per cent respectively on their certificates.[1]

Loans by labor banks to their sponsoring unions or to other union groups have been, with one or two exceptions including the Amalgamated instances, of comparatively little importance. Practically all the banks will make loans on occasion to their sponsoring unions or to other union groups on the same basis that such loans would be made by banks not connected with labor, that is, on collateral and individual responsibility. Such loans are not frequent and are for comparatively small amounts. They include loans to finance the publication of a yearbook, or for temporary operating expenses in the case of a city central run on an assessment plan. The Cleveland bank, for example, aided the carpenters of that city to build a labor temple.[2]

The termination of the International Ladies' Garment Workers Union's bank as a labor institution is, however, an example of the consequences of improper lending to a controlling union. The bank was opened in January, 1924, and within six months, the union borrowed a large sum. This had not been repaid when the union demanded an additional loan in 1927 which increased the union's indebtedness to the bank to a total of $389,000, an amount far greater than the bank's capital.[3]

About eleven of the total thirty-nine labor banks do not loan to members of their boards of directors. This restriction sometimes includes, also, the officers and employees of the bank. In one case, such loans are forbidden by law. Generally, however, if there is a restriction on such loans, it is included in the by-

[1] Amalgamated Clothing Workers, *Report of the General Executive Board*, 1926-28, pp. 103-4.

[2] Frederic C. Howe, "Organized Labor Takes Up Banking," *Labor Age*, June, 1922, p. 6.

[3] For the consequences of this loan, *see* Chapter IX, pp. 255-7.

laws. On the other hand, many of the banks have placed no formal restrictions on such loans. The by-laws of the Engineers National Bank of Boston were changed at the annual meeting in 1927 to allow loans to members of the board of directors and companies with which such members were connected. The reason given for making the change was that the previous clause prohibiting loans kept the bank from securing business men as directors. A similar change was made by the Transportation Brotherhood's National Bank of Minneapolis.

### J. FOREIGN REMITTANCE SERVICES

Probably the most outstanding of the unusual services provided by labor banks has been the foreign remittance system developed by the Amalgamated banks and, to a lesser extent, by the International Union Bank of New York. At the time these banks were established, there was practically no way in which money could be sent safely to Russia, due to the unsettled conditions in that country and its rapidly depreciating currency. There was no certainty that remittances would ever be delivered and, since payments were made in rubles, there was no assurance that any value would remain if they were delivered. This situation was particularly distressful to the workers in the New York and Chicago clothing industries, since many had friends and relatives who were suffering privations in Russia and to whom they were unable to send relief.

The Amalgamated banks in Chicago and New York were the first in this country to develop safe facilities for Russian remittances. The union, some time previously, had established the Russian American Industrial Corporation to encourage the investment of American capital in Russia. Through this corporation, arrangements were made with the Russian Commercial and Industrial Bank in Moscow, known as the *Prombank*, by which the Amalgamated banks could guarantee the payment

in dollars of money orders sent to Russia. Extensive negotiations were necessary before the New York Amalgamated bank, which was the pioneer in this service, was permitted by the state authorities to begin making transfers. At the outset the union was required to guarantee that the bank's assets would not be impaired. The consummation of arrangements to inaugurate a transmission service to Russia was one of several important contributions to progressive banking made by the Amalgamated officers.

The Foreign Exchange Department of the bank soon after developed a similar service to other foreign countries. The need for this was evident in the immediate use to which it was put. From April 14, 1923, to December 31, 1925, the Amalgamated Bank of New York alone sent 338,800 orders to foreign countries amounting to $12,176,393. By January, 1929, the total amount remitted by the two banks since the beginning of the service was $23,765,094 and the number of separate remittances during the period was 661,701. Many of these orders were sent through the Amalgamated by other banks. The foreign remittance service is not as important at present as it was in the beginning because it has now been developed by many other banks.[1]

[1] Dorothy J. Orchard, "The Evolution of Banking," 1926; Amalgamated Clothing Workers, *Report of the General Executive Board*, 1924-26, pp. 147-148; "Amalgamated Bank of New York Reports Great Progress at Annual Meeting," *The Advance*, January 18, 1929, p. 3.

CHAPTER SIX

# RELATIONS AND ATTITUDES

NOT only is a bank peculiarly dependent upon its relations with many people, but a labor organization, as well, is exceedingly susceptible to the changing attitudes of its members. When a trade union goes into banking, a complex of relations is created. On the one hand the attitudes of members of the sponsoring unions, of other unions, and the labor movement in general become factors in the bank's success; on the other the attitudes of bankers, the government, and more important, the public, weigh heavily in determining the future of the institution. It is for this reason that it is necessary to discuss at some length the changing attitudes toward labor banks on the part of these various groups during the progress of the movement.

## A. ATTITUDES OF PARTICIPATING OR LOCAL LABOR GROUPS

The degree of enthusiasm within sponsoring unions or labor groups at the time of initiation of various labor banks varied widely. Where conventions of national unions authorized banks, feeling ran high in some cases, especially when a fervent speech by a labor banker aroused the delegates. The approval of the officers' proposals in these cases was likely to be unanimous. The rank and file not attending the convention were interested in the new development by discussions in local lodge meetings and by journal articles.

Some union conventions were not so decisive in approving banks. The International Ladies' Garment Workers' bank, although authorized by a unanimous vote before its initiation, was

later approved by a relatively small majority.[1] Another bank was finally approved after much investigation and conference. One of the early banks was not authorized by the convention of the union largely supporting the bank but was brought into existence by a few of the national officers, despite hesitancy on the part of some of their fellow officers. The support of the bank was likely to vary with the standing of the officers proposing it.

Local labor groups, investment companies, or promoters did not have the machinery of a convention or the common interest of the members of a national union to create enthusiasm when projecting labor banks. Mass meetings in a few instances served the purpose, supplemented by the efforts of the local labor newspaper or, in the Northwest, by the publicity of the Engineers' regional organization. The proportion of the whole local labor group participating in the formation of the bank varied widely from practically all crafts to one or more of the railroad brotherhoods. From the first, a line of cleavage was apparent in some localities between the railroad train service and the non-railroad trades where both groups were financially interested in the bank. In many cases, stock was sold largely to the members of the unions represented by the organizers of the bank and even then its purchase was considered an investment rather than an assurance of active support. Local unions or federations in some cities passed resolutions authorizing their treasurers to purchase stock with organization funds and allowed this gesture of participation to terminate their active interest in the bank.

Both national unions and local groups made much of the opening day celebration to arouse enthusiasm for the new labor bank. Campaigns for deposits were started weeks in advance so

[1] International Ladies' Garment Workers' Union, *Convention Proceedings*, 1922, p. 121, and 1925, pp. 174-6.

that the first days' receipts would reach impressive totals. Flowers, speeches, and souvenirs, served to stimulate interest on the part of the rank and file of the unions whose officers were active in the bank. Reports and pictures of the ceremonies were published in union journals to bring out-of-town members into the campaign. The Engineers developed this method of publicity with increasing effectiveness. Competition in opening day deposits became very keen, especially among their Pacific Coast banks. The opening day deposits of the Engineers' San Francisco bank, obtained by extensive preparatory work on the part of local representatives, reached over a million dollars.[1] The inauguration of the New York Amalgamated Bank was the occasion of a holiday and parade of the union's large membership in the city.[2]

Unfortunately for many labor banks, opening day enthusiasm did not always transform itself into lasting loyalty and active support on the part of the rank and file of the unions sponsoring the bank. There was much lip service which covered doubt and caution. As the novelty of the new institution wore off, insufficient interest in the local labor bank remained to secure the support of numerous members whose small savings were deposited in larger and older banks. Many factors militated against the transfer of deposits to the new institution. Inconvenience of location, friendly relations with the officers of older banks, the prestige and impressive capitalization of larger banks, the unimpressive quarters of the new bank, doubt as to the capabilities of officers and directors, advice by bankers or business men against transfer, and petty jealousies among the labor group were all effective in widely varying degrees in retarding the growth of deposits by the rank and file of the

[1] See *Locomotive Engineers Journal*, January, 1927, p. 10; *Getting Ahead*, September, 1926, and January, 1927.

[2] See *The Advance*, April 20, 1923, pp. 1, 8.

labor movement. Bank failures in some communities, especially of class banks, discouraged deposits.

In many cities, however, trade unions in their corporate capacity, have supported labor banks in which they were stockholders better than have their members. The funds of unions were already consigned to advance the interests of labor, and their security was not so much the cause of cautious inertia except on the part of the union officers. The latter were more likely to defer the transfer of accounts to labor institutions than the members, who on the occasion of appeals by representatives of labor banks at union meetings would direct that deposits be made in the labor institution. A split account or a relatively small idle account or deposit on certificate was often considered sufficient by some officers who considered older banks more convenient and secure.

National unions have attempted to attract the accounts of their members throughout the country by the device of mail deposits. The Engineers' Cleveland bank has been especially successful in developing such business. The prestige this institution developed, its close connection with the Brotherhood's central organization, and the wide publicity it received caused a relatively large number of deposits by mail by members scattered over the country. The Telegraphers have supported their St. Louis bank in much the same way. Other banks controlled by national unions or their subsidiaries have met with less success. Banking by mail involves considerable delay and inconvenience, and a serious handicap when the depositor wishes to borrow. Local lodges doing business by mail have not been so much concerned by the latter disadvantage and have proved somewhat more susceptible to pressure from headquarters to place a part of their funds in the affiliated bank. Resolutions and appeals at conventions have aroused more response from local officers directly identified with union activities.

Nothing has been more insidious in its unfavorable influence on the relation of labor banks with the rank and file of sponsoring unions than union politics. The labor bank, as the creature of the administration in power, has in several instances become the target of criticism and adverse propaganda, to which a bank is peculiarly sensitive. It has proved easy to strike at the bank in order to undermine confidence in the union's officers. Officers, in turn, have exposed themselves in a few instances to more or less justified censure because of arbitrary procedure in the organization and operation of affiliated financial institutions. The fact that new jobs were created or privileges obtained stimulated self-interest on the part of both the "ins" and the "outs" in union government. Refusals of loans or jobs in some cases made enemies of members who have felt that they deserved special consideration. Such personal or political antagonisms have had their effect on deposits by members, both directly through refusal to support the bank and indirectly through the uncertainty and apprehension which bickerings have caused in the minds of prospective member-depositors.

Apart from the problem of securing support from members as depositors, there has been that of keeping the rank and file satisfied that the union should continue its banking enterprise. Politics, personal antagonism, and unfavorable financial experience have all had their part in building up an antibank group in certain unions. The two national unions which first took up labor banking have had their difficulties. A minority group in the Machinists' convention of 1924 attacked the bank as a capitalistic enterprise.[1] Opposition to the financial activities of Stone and his successors in the Brotherhood of Locomotive Engineers began early and has increased ever since, especially since the true state of affairs became known to the dele-

[1] *See* International Association of Machinists, *Convention Proceedings*, 1924, pp. 73-4, 110-17.

gates of the 1927 convention. The Clerks suffered greatly from dissension among their officers as to financial activities. Banks sponsored by local groups have been less affected by opposition developing within unions participating in their organization because of the lessened dependence of the bank on any one union. Yet even with this safeguard local labor politics undermined the support of the Los Angeles bank and caused the downfall of the short-lived Unity Trust Company of Atlanta.[1]

Anxiety lest officers spend too much time as bankers and too little time as trade union representatives has reduced enthusiasm for labor banking within some unions. Stone found it necessary to rebuke dissatisfied members on several occasions when resolutions favoring aggressive bargaining policies were dispatched to Cleveland by divisions tired of stupendous financial ventures. The attractiveness of the banker's life to union officers was not unappreciated by the rank and file.

But not all labor banks suffered from the lack of support or opposition. All banks have met with some phases of member opposition but the balance has been on the side of loyalty and support in a number of cases. The existence of a strong union administration, as in the case of the Amalgamated and Telegraphers' banks, the width or sincerity of appeal as with the New York Federation or the Hammond banks, have brought out increasing member support. Despite the success of these and several other labor banks in attracting the continued support of the rank and file of the members of sponsoring unions, it is true that the majority of labor banks have had poor support from the labor group from which loyalty was most expected. Inertia, indifference, and pronounced caution best describe the attitude of the rank and file of interested unions toward many labor banks.

[1] *See* Appendix B, Part III.

The attitude of trade union officers and members toward labor banks in their community controlled by other labor organizations or groups parallels closely that of members of sponsoring organizations. The solidarity of the local labor movement varies widely between cities. In a few cities all labor groups have become active in supporting the local bank. More often, however, lack of harmony or mutual interest which has existed in other phases of union activity has been reflected in the attitude toward the bank. The line of cleavage between the Engineers and the unions affiliated with the American Federation of Labor has appeared more or less distinctly in many cities. Stone's domineering attitude and the emulation of it by his subordinates antagonized officers of other unions. The self-sufficiency of the local engineers with their assurance of support from Cleveland, often irked other unionists. The Engineers were aroused in turn by demands on the part of building trades and others that union-made materials and supplies be used in every detail of construction and operation of banks. Requests that banks contribute to labor annuals, programs, and other projects caused irritation, whether granted or refused. Concessions, which the officers of banks were compelled to refuse, were sometimes expected.

The Engineers met open opposition on the part of the Central Trades and Labor Council in projecting their New York bank. A resolution by the local body advised trade unionists that the autocratic and capitalistic policies of the Cleveland organization rendered it unentitled to labor support.[1] The interest of local labor leaders in the New York Federation bank may have been in part the cause for positive action. In Boston bitterness was aroused between the Engineers and a local group of the Telegraphers who were sponsoring a labor bank of their own.

[1] *The New York Times*, December 21, 1923.

To offset indifference or irritation, several labor banks appointed an officer of high standing in local labor circles to their staff. As new business managers these men attempted to allay any ill feeling by cordial reception of customers, attendance at union meetings, and personal contacts in the community. The president of the state federation of labor was appointed an officer in one of the Engineers' Pacific Coast banks. Directorships have been distributed among local unions in order to attract the support of organizations not responsible for the bank. In a very few cases, loans have been made to union projects such as buildings or the publication of year books with the aim of creating goodwill. The success of such methods of securing local support has varied widely. The Chicago Amalgamated bank, for example, has obtained very favorable results through solicitation of local union accounts. In general, organization accounts have been secured much more readily than those of members.

It has been interesting to note that in several communities unorganized workers have supported the local labor bank better than many trade union groups. Exemption from craft or personal jealousies, such as sometimes exist within organized trades, has made more likely a class sympathy which has led to a favorable attitude toward the labor bank. Support of the labor bank offered a means of expressing the desire of individuals within the small-salaried or unskilled labor groups to indicate their approval of the aims of the labor movement in their community.

### B. ATTITUDES OF THE LABOR MOVEMENT IN GENERAL

The changing attitude of the labor movement in general toward labor banking can be traced through the recommendations of the American Federation of Labor, the resolutions of national unions and state federations in convention, and the

public or private expression of opinion of labor officials. Although convention resolutions are likely to depend upon the reactions of a few active individuals much tempered to satisfy many divergent interests, they offer the best single source of information.

The Machinists' bank had been open for business but a few days when the 1920 convention of the American Federation of Labor was held in Montreal. A resolution by the Machinists' delegates favoring approval of labor banks, credit unions, and cooperative banking was referred to the Executive Council for consideration. Action was taken by the convention to approve the cooperative movement through the authorization of a Bureau on Cooperative Societies under Federation control.[1]

In the following year an elaborate but impossible resolution favoring a combined system of labor banks and pension funds was reported unfavorably and defeated without debate. Another resolution approving the establishment of banks by national unions and the joint establishment of banks by several national unions in localities where their combined membership justified was set aside and in its place the recommendation of the Executive Council that the Massachusetts law governing credit unions be approved was adopted. On the other hand a proposal was adopted that the Council investigate and take action with regard to the evil effects upon trade unions, workers, and farmers of the concentration of credit control in the hands of banks and insurance companies. A resolution proposing radical changes in the monetary and banking system of the country was referred to the Executive Council for close study and report.[2] The Federation, through its Executive Council, was not yet ready to take a stand on the question of labor banks.

[1] American Federation of Labor, *Report of Proceedings of the Fortieth Annual Convention*, 1920, pp. 176-80, 281-2, 396-7.

[2] American Federation of Labor, *Report of Proceedings of the Forty-first Annual Convention*, 1921, pp. 111, 205, 222-3, 302-3, 373-4, 389-90, 470-1.

The conservative attitude of Gompers was an important influence. The urge to take action on the new front of credit and banking was coming from many quarters.

In obedience to the direction of the convention of the previous year, the Executive Council presented at the 1922 convention a report of some length, in which the influence of bankers on the labor policies of employers was discussed. Investigation had disclosed, it was stated, that in a number of cities banking institutions had used their facilities to compel employers to assume an attitude toward trade unions which would weaken, if not destroy, the organization of the wage earners. The source of influence over the use of banking facilities did not always rest with the banks, the report continued, but the banks were as much subject to the influence of manufacturers, merchants, and trade associations as the individual merchant and manufacturer were subject to the banks' influence and control. How to meet this situation was considered a difficult though not hopeless problem. Extension of postal savings facilities was recommended. The advisability of government banks was considered. Not many trade unions were so organized as to permit them to enter the banking business. Their funds were subject to constant withdrawals and it was difficult to see how a trade union could strengthen itself by converting its funds into the working capital of a bank. Demands that trade unions be incorporated might become more pronounced if they should venture into the banking business.[1]

By entering upon banking or any other business, the Executive Council suggested, trade unions were abandoning their primary purpose. Returns would be received in the form of dividends. Further, with the restrictions necessary to sound banking and safeguarding union funds, it was difficult to see how trade

[1] American Federation of Labor, *Report of Proceedings of the Forty-second Annual Convention*, 1922, pp. 88-91.

union banks could alter the attitude of existing institutions. The experience of the several labor banks in operation would indicate whether it would be advisable to encourage trade unions to enter this field of business venture. "While we believe trade union banks are possible, we believe that such ventures should be considered with extreme care." As an alternative it was recommended that complaints of antagonistic interference in industrial relations by banks should be made to the Federation so that the Executive Council might investigate the case. If no adjustment could be reached, the Council could then call upon the labor movement and its friends to place their deposits in fair banks. The Council asked that authority to act in this matter be exercised solely by the Federation.[1]

The report of the Executive Council was approved by the convention. At the same time a resolution authorizing the Council to take steps to secure the establishment of a central labor bank at Washington and branch banks elsewhere, was referred to the Council for study and report.[2] Thus, while the Executive Council had made clear its policy of caution and *defensive* rather than *offensive* action in the field of banking, many of the constituent organizations of the Federation were still tempted by the idea of joint enterprise by the labor movement in that field. The responsibility of deciding upon the Federation's policy was passed back to the Executive Council.

The answer of the Executive Council at the 1923 Federation convention was a reiteration of its conclusions of the previous year that labor banking could not be a remedy for economic injustices. It found the proposal of a central labor bank not only impractical but undesirable. It emphasized the obstacles

1 American Federation of Labor, *Report of Proceedings of the Forty-second Annual Convention*, 1922, pp. 88-91.

2 *ibid.*, pp. 338-9.

to joint action by existing labor banks in any central bank and that coordination could only be developed by the banks themselves. The Council showed itself not altogether cold toward the increasing number of labor banks, however, and recognized them as helpful even though no remedy in the reform of credit administration. In carefully guarded language, friendly interest in labor banking was indicated.[1]

The committee on resolutions of this convention in reporting on the Executive Council's recommendations both cautioned and approved. The disastrous effects of failure of ill-advised labor banks were counterpoised against a recommendation that favorable consideration and preference be shown labor banks where found to be established on sound principles and managed along well established and proper lines. The convention approved the Council's recommendations unanimously.[2]

The labor banking movement was making rapid strides in 1923 and 1924 and many national unions had become interested in the movement because of initiation of their own banks, the purchase of stock in the New York Federation bank, or activity on the part of subordinate local unions. No failures of labor banks had taken place. The Executive Council felt it advisable at this time to note that some of the banks had been in operation sufficiently long to demonstrate "the remarkable power possessed by them to pool the earnings and savings of the workers, to accumulate large deposits and so to manage these funds in a manner helpful to wage earners and the trade union movement." It held, however, that the complete period of experimentation had not been passed and that grave responsibility rested on those entrusted with the administration of labor

[1] American Federation of Labor, *Report of Proceedings of the Forty-third Annual Convention*, 1923, pp. 44-5.
[2] *ibid.*, p. 269.

banks. Labor was warned against the hasty formation of labor banks.[1]

The Executive Council took occasion to stamp with its disapproval those securities, investment, and holding companies selling stock to constituent unions and their members with the inference that such stock was stock in labor banks. Trade unionists were warned against investing in such companies on account of the absence of state or Federal supervision in their operation. This censure was, without doubt, directed at the Engineers' enterprises of this character which were then being developed. The committee on resolutions, in approving the report of the Council, reinforced the emphasis on caution and advised in regard to investment companies that labor's activities should be more nearly confined to practices and ventures which would not in any way destroy or lessen the efficiency of the trade union character of the American labor movement.[2]

The Executive Council of the Federation maintained its position of cautious interest in its reports of 1925 and 1926. The failure of the Producers and Consumers Bank took place in May, 1925. At the convention of that year the serious effects on union morale of possible failures of labor banks were called to attention. The need for expert advice was emphasized. The movement for labor banks, however, was recognized as representing an offer on labor's part to supplement through further mobilization of the earnings and resources of wage earners the services rendered by the union.[3] By 1926 a more cordial note of pride in the achievement of labor banks and their service to the labor movement appeared. Warnings

[1] American Federation of Labor, *Report of Proceedings of the Forty-fourth Annual Convention*, 1924, pp. 42-3.

[2] *ibid.*, pp. 42-3, 259.

[3] American Federation of Labor, *Report of Proceedings of the Forty-fifth Annual Convention*, 1925, p. 35.

against malevolent influences and attempts to mislead workers and unions into ruinous ventures hedged the approval of prosperous institutions. Banks were advised to avail themselves of government inspection services. Disapproval of investment ventures and the absence of assumption of responsibility for labor banks by the American Federation of Labor were reiterated.[1]

But a marked change had occurred in the labor banking movement of the country before the Federation again convened in October, 1927. The failure of the Pittsburgh bank in 1926 had caused unfavorable publicity, but far more serious apprehension had arisen on account of the disclosures which had taken place at the convention of the Brotherhod of Locomotive Engineers in Cleveland a few months before. The tone of the Executive Council's report became very discouraging. The results of the labor banking experiment confirmed the repeated warnings of the Federation. Some unions had involved themselves in most embarrassing difficulties. It would be well to study the causes of failure in labor banks and investment undertakings. Subsidiary holding company organizations had been used to make possible financial policies prohibited by sound banking rules. Reference was made to the developments in the Engineers' activities. Labor must protect its good name in its financial activities by every safeguard. Banks should be made financially sound, their policies and undertakings eminently correct and ethical. Men of training and unquestioned integrity should be employed. The time had come to stop expansion in the field of labor banking until experience with those labor banks already organized had been critically studied and evaluated. It was unwise to experiment further until it was known

[1] American Federation of Labor, *Report of Proceedings of the Forty-sixth Annual Convention*, 1926, pp. 48, 307.

exactly which policies were safe and dependable. The convention approved the report unanimously.[1]

In 1928, the Executive Council referred briefly to labor banking in its report to the convention. The same cautious advice as to the competency of bank officers and the use of governmental and Federal Reserve supervision was repeated. It was stated that a number of labor banks were developing sound and wise policies and were a credit to the labor movement. Labor banking, however, was as yet in an experimental stage and the greatest caution was urged upon all those connected with it. The Council stated that its action was based upon its realization of the close connection between the banks and the labor movement.[2]

It must be kept in mind in any analysis of the attitude of the American Federation of Labor toward labor banking that the two national unions, the Brotherhood of Locomotive Engineers and the Amalgamated Clothing Workers of America, which were most active in financial enterprises, were outside the Federation. Further, several locally sponsored banks were supported more by train service employees than by constituent unions of the Federation. In addition, certain national unions within the Federation which were interested in banks were not among the conservative majority which gave warm support to the Gompers' policies. The International Ladies' Garment Workers' Union, the Machinists, and perhaps the Telegraphers were not of the latter group. The Clerks were relatively newcomers. On the other hand, the old-line unions such as those in the building trades, the Cigarmakers, the Miners, and the Printers were slow to take up labor banking. The inauguration of the New York Federation Bank in 1923 and its rapid progress

[1] American Federation of Labor, *Report of Proceedings of the Forty-seventh Annual Convention*, 1927, pp. 40, 62, 318.

[2] American Federation of Labor, *Report of Proceedings of the Forty-eighth Annual Convention*, 1928, p. 74.

thereafter did much to temper the attitude of these more conservative groups.

Gompers was much irritated by Stone's sweeping pronouncements that labor banking marked a new era in trade union practice, and by the optimistic reception given them by the press. Writing in *The Federationist* he stated that no strikeless Utopia had been discovered nor was labor organizing banks to make strikes impossible. All labor banks could do was to eliminate some of the more outstanding evils of banking business.[1] The *Nation*, commenting in 1923 on what it considered the indifference, if not the hostility, of the old-line leadership in the Federation toward labor banking, ascribed it to the fact that the new movement was outside the peculiar abilities of the older leaders and likely to carry power away from the walking-delegate type of men into the hands of more constructive and broadly trained persons.[2]

The death of Gompers in 1924 and the election of William Green to succeed him as president of the American Federation of Labor did not cause any marked change in the official attitude. The somewhat more sympathetic interest was probably due to the increased participation by constituent unions in the movement, as well as the rapid progress of many banks. The conservative group was still strongly represented on the Executive Council of the Federation.

The attitudes toward labor banking expressed in the reports and proceedings of state federations of labor but seldom indicate the mature consideration reflected in the annual reports of the American Federation of Labor Executive Council. The reports of the New York State Federation, with its especial interest in the Federation Bank, are exceptions, however. Prob-

[1] *cf.* Samuel Gompers, "'Labor Banks' O.K. But No Solution." *American Federationist,* March, 1923, pp, 252-4.

[2] "Labor and Its Money," *Nation,* November 14, 1923, p. 545.

ably through the influence of Brady, a positive stand was taken against promiscuous promotion of labor banks, against holding companies, and the use of paid promoters in starting labor banks.[1] Several state federations authorized their officers to investigate existing labor banks with a view to inaugurating banks of their own or participating in any banks initiated. The New York, New Jersey, Georgia, and Alabama federations actively supported banks and the Connecticut body entered upon a futile promotion.[2] The Utah State Federation was interested in a proposal to start an Engineers' bank in Salt Lake City.[3] A less optimistic note is found in the report of the secretary-treasurer of the California Federation in 1923. "According to the best informed opinion," this officer stated, "the growth of labor banks may easily overreach itself with the possibility of considerable disaster to the movement. The supply of experienced bankers, who are at the same time loyal to the labor movement, is far from inexhaustible and the limits of success for labor banks are obviously the limits of this supply."[4] The Tennessee Federation in 1925 took occasion to condemn the Engineers' attempts to interest trade unionists in a labor bank in its state.[5] In general, however, state federations were favorable toward labor banking but seemed to pass resolutions concerning it with little consideration.

In the official reports of national unions not active in labor banking little comment is found. The purchase of stock or the deposit of funds in a labor bank, more often the New York

[1] New York State Federation of Labor, *Convention Proceedings*, 1924, pp. 55*ff.*, and 1927, pp. 167-8.

[2] They were the New York Federation Bank and Trust Company, the Newark Labor National Bank, The Atlanta Unity Trust Company, and the Birmingham Federated Bank and Trust Company, respectively. *See* Appendix B, Part III, for the history of the Connecticut promotion.

[3] Utah State Federation of Labor, *Convention Proceedings*, 1924, pp. 31-3.

[4] California State Federation of Labor, *Convention Proceedings*, 1923, p. 56.

[5] Tennessee State Federation of Labor, *Convention Proceedings*, 1925.

Federation Bank, was the usual indication of interest in the movement. On account of participation in the movement by constituent locals in some cities, even the most conservative national unions were more likely to be indifferent than actively opposed to labor banking. As early as 1924, however, the Sheet Metal Workers' General Executive Board stated that it was not enthusiastic about the rapid growth in number of labor banks and that further experience was essential before additional institutions should be organized. It warned unions against tying up funds in relatively non-liquid stocks.[1] An example of a significant reaction more usually apparent among local groups is an editorial appearing in the *Paper Makers' Journal* in 1928, concerning the use of nonunion supplies and the employment of unorganized labor by labor banks. These banks, it was said, wanted the deposits of labor but did not appear to render any more assistance to the labor movement than did so-called capitalistic banks.[2]

At the outer fringes of the labor movement, and among radical groups within the labor movement, there has been an increasing opposition to labor banking because of its effect upon the program of class conflict. In the early years of the movement, the possibilities of labor banking as a weapon against capitalistic bankers, for securing control by workers, and advancing class cooperation, were not without their appeal to radical groups. As time went on, the capitalistic inclinations of Stone and other labor leaders in banking brought forth indictments from the more rigorous critics of capitalism. Carver's optimistic prophecies of economic harmony attained by universal capitalism aroused apprehension and attack.[3] Lessened

[1] International Association of Sheet Metal Workers, *Convention Proceedings*, 1924, p. 20.

[2] *Paper Makers' Journal*, March, 1928, pp. 8-9.

[3] *See* p. 150.

militancy on the part of trade union officers interested in banks was censured.

A resolution passed by the Trade Union Educational League following the failure of the Producers and Consumers Bank in 1925 stated that the organization of "so-called labor banks" had become a fad among trade union officials to such an extent that more and more of the unions were being diverted into these activities. Profits of labor banks were dependent on good relations with capitalists, and officials became more independent of control by the rank and file of unions to the degree that they got closer to the capitalists and made more profits. The resolution went on to declare that the tendencies of existing labor banks were a menace to the welfare of the labor movement. No more labor banks on the existing lines of capitalistic enterprise should be organized and all existing labor banks should be reorganized along truly cooperative lines with control in the hands of the rank and file and with investments restricted to noncapitalistic enterprises.[1]

By 1927 the Communist group in this country had received definite instructions from the Third International in Moscow to take a stand concerning labor banks. In a resolution endorsed by the Presidium of the Executive Committee of the International at Moscow, July 1, 1927, which was published in the New York *Daily Worker* in August of that year, labor financial enterprises were attacked as instruments of inter-class collaboration. It was held that under the deceptive slogan "higher strategy of labor" trade union leaders and leading bourgeois economists were trying to make the working class believe that by investing their savings in labor banks and through purchasing stocks, the workers could gain influence, control, or even ownership, in capitalist industry. The Workers (Communist) Party must ruthlessly expose this deception, it

[1] Copy of resolution on file in Industrial Relations Section.

was stated. The proper policy of the Communist adherents in this country in regard to labor banks was expressed as follows:

> "In order to expose the anti-labor character of the institutions of trade union capitalism (labor banks, trade union insurance corporations, etc.) to undermine the confidence of the workers in these institutions and to free the labor movement from their disintegrating effects, the Party [Communist] must also put forward other specific proposals in accordance with the concrete circumstances. To this category of proposals belong: struggle for social legislation administered by the insured. This struggle must be carried on with the understanding that 'reforms are by-products of the revolutionary struggle,' for social legislation is not, in itself, an effective weapon against bourgeoisification. . . .
>
> "The Party must do its utmost to expose labor banks which pretend to be co-operative banks, but which are in reality entirely bound up with the big capitalist banks. Where the possibility exists and where it seems advisable, and after making the economic basis of such institutions thoroly secure, co-operative banks controlled by the workers themselves can be established in order to use the means at the disposal of the workers for strengthening the material basis of the labor movement. Under no circumstances can money raised in this manner be used for anti-proletarian aims—it must rather be used for building up a powerful workers' co-operative movement, and for other purposes in the interest of the working class, as for example, granting loans to the Soviet Union."[1]

It was, however, the disclosures before the Engineers' convention of 1927 which aroused to full vigor the attacks of the radical group. The calamities of the Engineers were recounted by W. Z. Foster in a booklet entitled *Wrecking the Labor Banks*. In this tract, Foster concluded that trade union capitalism, its institutions, and its false theories were widespread in

[1] *The Daily Worker*, New York, August 3, 1927, pp. 1, 3.

the labor movement and tended toward spreading class-collaboration illusions, further corruption of leaders through graft, destructive alliances with capitalists, and a general weakening of the labor movement. The theory that labor was becoming capital was false, he held, and the formation of labor banks and investment companies was wrong. Unions must cut loose from the labor banks and their destructive influences, and must be redeveloped as fighting organizations.[1] Thus Foster, in the light of the Engineers' experience, saw even less possible use for labor banking than was suggested in the Moscow communication.

### C. RELATIONS BETWEEN LABOR BANKS

As a corollary to the discussion of the attitudes of the various groups within the labor movement toward labor banks, the relations of labor banks with each other may be summarized. The proposal before the American Federation of Labor that a central labor bank be organized has been mentioned. The Executive Council was not warm to such a step. Stone and several other leaders in labor banking looked to the day when a system of some sort would be possible. The nearest approach to this was the Engineers' chain of holding companies and banks. The Chicago and New York Amalgamated banks were also the beginning of a chain. Distance, the lack of entire sympathy between national unions, limited funds and personnel, and, more important, the absence of impelling interest caused most labor banks outside of these two chains to remain isolated units rather than members of a federated group.

This isolation was not unchallenged, however. In addition to the proposals and prophecies already mentioned, more concrete suggestions were made by individuals active in labor banks.

[1] W. Z. Foster, *Wrecking the Labor Banks, passim.*; *see also* W. Z. Foster, *Misleaders of Labor*, especially pp. 64-7, 84-95.

Duane Swift of the Chicago Amalgamated bank, writing in 1927, outlined elaborately the advantages and program of a national brotherhood of labor banks. A multitude of problems of policy and practice was being solved independently by labor bankers. Annual conventions, a journal, and joint publicity were proposed as activities of the brotherhood. Unfavorable attitudes and indifference toward banks could be overcome. Experience could be exchanged and investment and loan policies considered. The writer recognized the chief difficulty, the jurisdictional differences of the trade unions interested in labor banks.[1]

Except within the Engineers' chain and among banks aided in some way by the Cleveland group, there has been relatively little use made by labor banks of other labor institutions as correspondents. Some reasons for this have already been suggested. The location of many labor banks in smaller cities which are not banking centers has eliminated them as correspondents. In turn, these banks have usually selected banks as correspondents which are far larger than any labor banks in the cities with which they had business. The New York Amalgamated Bank has served several labor banks in handling foreign remittances, however, and the New York Federation Bank and Trust Company has been used as general correspondent to some extent.

It was in the handling of securities that the Engineers' chain of banks cooperated most closely. Through the New York Empire Company and its successors, bonds were purchased for the account of Engineers' banks throughout the country. Bond issues distributed by the parent bank in Cleveland or by the various holding and securities companies found their way into subsidiary banks for retail sale or investment account. In the long

[1] Duane Swift, "The National Brotherhood of Labor Banks," *The Advance*, September 23, 1927, p. 5.

run this cooperation was aimed more to profits than to the development of wider control of labor's funds for purposes beneficial to labor, although the latter purpose figured largely in Stone's mind in the early days of the system.

### D. RELATIONS WITH BANKERS

With some exceptions, the history of the relations between labor banks and the other banks in their communities is one of indifference, bitterness, or active opposition. Labor officials frequently entered banking with chips on their shoulders and the bankers looked for trouble rather than for ways of preventing it. The abilities and experience of labor bank directors and officers often warranted severe criticism and usually received this rather than constructive cooperation. The immediate cause of hostility was more usually some act or policy on the part of the labor bank, but an undercurrent of bitterness or cynicism among other bankers resulted in a reaction on their part which seemed too ready and extreme.

In a number of cities, existing banks opposed the issuance of a charter to the proposed labor bank. The usual opposition to new banks on account of the belief that a community is overbanked and that security of the banking system is impaired, was augmented by irritation at invasion of the profession by a class group, especially organized labor. The close relation of industry and banking must account for a considerable part of this opposition. More, however, can be laid to the door of the self-interest rather than of the professional sense of responsibility of bankers. Opposition to charters was usually carried on informally by confidential communications to the state and national banking officers. In some cases, however, the opposition took a more apparent form. It is reported that in one instance a deputation was sent across the continent to oppose the issuance of a national charter for a labor bank.

The next point of friction in the case of a good number of labor banks occurred when the labor institution was invited to join the local clearing house. Restrictions as to rates of interest paid depositors and hours of business were made the requirements of admission. Since liberality in these two respects was usually the predetermined policy of the labor bank, membership became impossible. In several cases, the gesture of inviting the labor bank to become a clearing house member was omitted. As a result of such situations and of decisions by some banks that clearing house membership was unnecessary, but a small minority of labor banks joined clearing house associations.

An incident which had its influence in keeping practically all the Engineers' banks out of clearing house associations, took place a year after the opening of the Cleveland bank. On November 1, 1921, the Engineers' bank announced a profit sharing dividend of one per cent on savings deposits. Not long after, the Cleveland Clearing House Association announced by extensive advertisement an earlier decision to adopt an emblem which would be displayed in the banking rooms of member banks. The added safety afforded by clearing house examination and supervision was expounded. The Association was stated to be a medium through which members cooperated in a spirit of service and goodwill toward their customers in the community. Its ideal was to make each Cleveland bank so safe and so secure that wherever the sign of safety was found there need be neither hesitation nor fear.[1]

In an answering advertisement dated December 21, 1921, Stone, as president of the Engineers' bank, called attention to the losses through failures of clearing house banks in the United States. To intimate that all banks lacking the sign of safety were to be feared was an unmitigated aspersion, he stated. His

[1] *See Locomotive Engineers Journal*, February, 1922, pp. 134-5, for reproduction of advertisement.

bank resented the false and libelous charge as unworthy of any honorable group of men. The Engineers' bank was subject to examination by the national bank examiners and the Federal Reserve authorities, he continued. He attacked the monopoly based on the mutual agreement of clearing house banks to regulate the rate of interest paid depositors and to fix fees and interest charges levied on borrowers. Clearing house associations might well disappear, according to Stone, since they had outlived their usefulness. He chided the clearing house banks by asking the reasons for their agreement to advance interest rates to savings depositors soon after the Engineers' bank had begun business. The communication ended with the words, "We shall accordingly continue to invite the accounts and support of those men and women who believe in a square deal and not the perpetuation of a banking monopoly."[1]

This vigorous counterattack seems to have settled the question of popular support, if the growth of the Engineers' bank is an indication. Unfortunately, however, it established a precedent that Engineers' banks should not join clearing house associations, a fact which had its influence on other labor institutions. The resulting bitterness tinged the relations of Engineers' banks with other banks in many cities. The dispute accentuated Stone's domineering policies and led his subordinates to act in the same spirit when cooperation was most needed. Neither the Engineers nor the Clearing House Association profited by the latter's attempt at open warfare. The justification of the Association's anxiety cannot be denied.

The payment of higher rates of interest both on savings deposits and public funds, long hours, the use of spectacular methods of business-getting have all irked old-line bankers toward labor banks. On their part, labor bankers looked upon

[1] *See Locomotive Engineers Journal*, February, 1922, pp. 134-5, for reproduction of advertisement.

banking conventions counter to their policies as monopolistic or self-interested, despite the long experience of those who had developed such rules. The active officers of labor banks have sometimes found themselves marked as professional outcasts. Often such officers were recruited from out-of-town or from junior officers of other banks who had not yet acquired wide acquaintance. Where the labor banker was drawn from labor circles, coolness was all the more probable. Published criticisms by those active in organizing labor banks aimed at old-line banking methods and attitudes have had their effect in increasing this coolness.

More discouraging in its reflection on human nature has been the indifference shown by some officers of larger banks in several cities where the competition of neighboring labor banks is not felt. Once the decision has been reached that the labor institution is not a factor in the competition for business and profits, it has been ignored by these bourbons of finance, despite its importance as a social experiment in their own special field. The training of many of these officers has been too narrowly focused on the competitive aspects of banking to allow a breadth of interest customary in other professions.

The exceptions to this coolness and antagonism have usually occurred where officers have come to the labor bank well known in local banking circles or with a record of marked success in old-line institutions elsewhere. In a few cases the growth which a labor bank has obtained by conservative methods has earned respect and goodwill for its officers. But active officers have often been hampered by labor directors who looked upon friendly relations with suspicion. The officers have been torn between their appreciation of the value of cooperation and a desire to allay any apprehension felt by their directors. In certain cases, however, labor banks have profited by such cooperation because of the initiative of their officers. Examples of

this include the aid afforded the Federation Bank of New York by other banks at the time of its opening, the diversion of Russian remittance business to the Amalgamated banks by other institutions, and scattered instances where advice as to personnel and investments has been given labor banks by friendly officers in other institutions.

Probably the outstanding representative of the banking profession who has taken an interest in labor banking, apart from that arising from competition or concern as to security of the local banking situation, is Charles E. Mitchell, President of the National City Bank of New York. "We think," said Mitchell, writing in the *Investors' Guide*, "the logical tendency from this development of labor banks will be for labor to take a larger part in all kinds of business and that this will be for the general good."[1] Elsewhere he indicated his opinion that labor banking would prove valuable as a means of educating bankers and labor leaders to the problems of both.[2] Such interest was taken by other bankers throughout the country, but unfortunately by too few.

In general, the financial press of the country has taken its cue from the opinions of bankers. The extravagant statements of Stone, the ill-considered Producers and Consumers venture and its later failure, and the closing of the Pittsburgh Brotherhood Bank under peculiarly unauspicious circumstances have been the basis for much cynicism. Following the decline in number of labor institutions in 1927 and thereafter, however, there has been relatively little comment in the financial press.

### E. RELATIONS WITH GOVERNMENT BANKING DEPARTMENTS

The circumstances of control, initiation, and operation brought labor banks into closer touch with governmental bank-

[1] Cited in *Locomotive Engineers Journal*, August, 1924, p. 570.

[2] *See* "Leading Bankers Encourage Labor Banks," *Bankers' Magazine*, February, 1924, pp. 203-5.

ing departments than is usual in the case of most banks. From the opening of the Engineers' Cleveland bank on November 1, 1920, the Comptroller of the Currency and state banking commissioners took an active interest in the new class banks. Opposition to charters, problems of personnel, qualifications of directors, provisions for profit sharing, and the loan policies of labor banks caused especial consideration and, in many instances, concern on the part of these officials. The political influence of the responsible labor organizations and their sensitiveness to any undue surveillance on one hand, and the lack of experience of many directors and officers on the other, kept government officials apprehensive unless some one officer of the bank could be made responsible for the conservative operation of the institution. The isolation of many labor banks from clearing house supervision made more necessary the advice and attention of the state and national bank examiners. The unfortunate experiences of certain labor banks which led to placing directors on notice or to termination of the institution brought the labor group and the governmental officials into unwelcome negotiations.

Some labor bankers and trade union leaders have felt that government banking officials have been unnecessarily strict in their inspection and requirements. In the case of one labor bank closed by state officers, for example, it has been held that the bank was not truly insolvent and that unnecessary obstacles were introduced to prevent reopening. On the other hand, it is reported that one labor banker sought to prevent decisive action by examining officials by virtue of his political influence through the labor movement. While such situations were very unusual, they indicate something of the tense atmosphere which surrounded the relations of some labor banks with government officers. Labor felt that several state banking commissions and at least one Comptroller of the Currency were

opposed to labor banking. These guardians of safe banking on their part had reasons for leaning backward in the case of the new experiment, especially after some institutions suffered unhappy experiences. In fact, a criticism laid at the door of some examining departments is that they trusted too much to experience as an expensive but effective teacher of labor bank officers and directors. It was sometimes easier to avoid positive action which might have political repercussions.

It would not be fair, however, to give an impression that a large number of labor banks have found their relations with government or Federal Reserve officials unfriendly. Most labor banks have been on cordial terms with these officials and depended upon their advice and help.

Early in the labor banking movement much was made of the fact that membership in the Federal Reserve System afforded labor banks a source of help, both in normal operation and in times of unusual need, which an old-line bank would be able to obtain readily from other local institutions. The Federal Reserve System was regarded as an agency promoting the development of democratic banking, should that be opposed by reactionary institutions.

Somewhat more than half of all labor banks have become members of the Federal Reserve System, most frequently by virtue of national incorporation. The Amalgamated, Federation, and International banks in New York, although state banks, became members. The policy of the Engineers and several other banks against joining clearing houses made the clearing and collection facilities of the Federal Reserve System of greater value. There remained several banks, however, which belonged to neither the Federal Reserve System nor to clearing house associations.

In general, there are no positive indications that the existence of the Federal Reserve System was of peculiar importance

in the growth of labor banks. In practically every community and in every larger city, there has existed at least one bank which has been ready to act as depository or correspondent for the labor institution. As long as profitable balances could be maintained and no untoward obligations were expected, the need for clearing and borrowing facilities could be met, if thought desirable, without reliance upon the district Federal Reserve branch or bank in the city. It may be said, however, that the existence of the Federal Reserve banks as alternative sources of aid has had some effect in eliminating apprehension on the part of labor bank promoters.

### F. RELATIONS WITH THE PUBLIC

Although labor itself, bankers, and government banking officials include those more directly concerned in the development of labor banking, there remain at least two groups whose attitudes are important. They are the local depositing and borrowing public other than trade union members; and the public generally, including unorganized labor, salaried workers, leading citizens, writers, and students throughout the country in other capacities than those of potential depositor or borrower at labor banks.

To the extent that labor did not rise to the task of supporting labor banks, it was necessary for these banks to reach out for the support of a cross section of the community. Commercial deposits by business firms were, as would be expected in the case of a new bank, slow in developing. The chief source of deposits was in many instances, the savings of small-salaried and wage-earning people. These savers were attracted by the friendly services and promises of profit sharing offered by the labor institutions. A natural sympathy for labor in its attempt to develop democratic banks seemed to be aroused more quickly in some instances among persons who were not drawn into the

petty jealousies or the indifference resulting from jurisdictional dissensions within the organized labor movement. Altogether the support of this group was better than that of the rank and file of organized labor.

It is difficult to estimate the relative importance of the motives leading individuals outside the labor movement to support the labor bank in their city. The novelty of depositing in a labor bank, the convenience of location, preference for a small bank, the friendly manner of its officers, and, more important in certain cases, the total return paid on savings accounts were altogether much more effective in attracting new accounts than the desire to advance the labor movement. While, as already suggested, the latter motive was sometimes more apparent in persons outside the movement than those within it, class consciousness is still too secondary in America to outweigh novelty, convenience, cordiality, and thrift as factors influencing the decision as to where one shall put his savings.[1]

The element of sympathy with the aims of the labor movement has been more noticeable in the support received by the New York and Chicago Amalgamated banks. The activities of the Amalgamated Clothing Workers in other fields and the intellectual interests of the organization have secured for it the respect of liberals outside the labor movement. An instance of this interest was the formation of a "Public Committee for Labor Banks" by the Civic Club in New York City with the purpose of securing popular support for such banks.[2] Both banks have received deposits directly and by mail from persons interested in cooperation and other liberal movements, both political and economic.

[1] In the case of the Cleveland Engineers' bank well-to-do savers were quicker to realize the advantages of profit sharing dividends than were wage earners, and the former group provided a large number of accounts.

[2] *The Advance*, June 8, 1923, p. 8.

Through the energy of President Brady of the New York Federation Bank, many persons in public office, and in financial, business, and artistic pursuits in and about New York as well as a cross section of the labor group, have become interested in that institution.[1] Their interest here has been more in the success of the bank as a bank than as a social experiment.

In smaller cities where various occupational or intellectual groups have not been so distinctly differentiated as in New York or Chicago, only the general interest of the small salaried and wage earning groups has been marked. Here and there an employer or public officer interested in the labor movement through contacts with its leaders has become a director in the labor bank. In several cities, lawyers or judges with political inclinations have found participation in the bank's affairs a way to show friendliness toward organized labor. Other professional men have become interested for various reasons, more often acquaintance with the individuals sponsoring the bank. A gesture of goodwill by the master of the Washington State Grange toward the Spokane Engineers' bank is an example of the moral support forthcoming from farmers in a few agricultural sections.[2] But the yeoman service of supplying labor banking deposits has fallen upon the small savers mentioned.

Interest in labor banking on the part of the general public throughout the country developed gradually following the opening of the Engineers' Cleveland bank. Articles on the new development in "labor capitalism" appeared in many of the magazines which reflect current opinion or discuss current events. The entrance of the Engineers into Wall Street by the purchase of stock in the Empire Trust Company and the Equitable Building in 1923 greatly stimulated interest. The usual

[1] *See Locomotive Engineers Journal*, April, 1926, p. 277, and the publications of the bank.

[2] *Getting Ahead*, September, 1925, p. 13.

reaction indicated was that of mild surprise and philosophical interest in the rapidity at which "Labor" was becoming "Capital." Stone had a gift for publicity which served to keep the Engineers' financial ventures before the public continuously for several years.

A protracted dispute between the Engineers and the United Mine Workers which had its source in the operation of the Coal River Collieries by the former aroused considerable public attention. The unfavorable reaction caused by this inter-union dispute was somewhat abated by the astonishing activity of the Engineers in the Florida land boom. The development of the city of Venice was too appealing to the imagination and too widely advertised by the Engineers' financial staff to escape widespread attention. As if a valedictory to public favor, there appeared in the *Saturday Evening Post* in November, 1926, a euphemistic article on the Engineers' financial enterprises by F. P. Stockbridge.[1] It was but a few months thereafter that the exposure at the Engineers' convention of the true state of affairs made publicity undesirable. Newspaper accounts appeared at that time but as if by common consent journalists ceased to discuss the Engineers' ventures. National politics, unemployment, trade union insurance, and strikes crowded out labor capitalism, at least that sponsored by the Engineers.

Apart from general articles on labor banking and those to do with the Engineers' projects, the New York Federation Bank has probably received the most attention in the public press. Next to Stone, Brady, of the New York institution, has been the most active labor official speaking for the movement. The representative character of the Federation Bank and its success as labor's bid for a place in the field of finance has

[1] F. P. Stockbridge, "The New Capitalism," *The Saturday Evening Post*, November 6, 1926.

stimulated interest both at home and abroad. The Amalgamated Banks have attracted attention largely on account of their development of the Russian remittance business and the "character loan." Their spokesman has been Hillman, the president of the sponsoring union.

Two books have lent their optimistic support to public interest in labor banking. In 1923 there appeared Richard Boeckel's *Labor's Money.* The story of labor banking up to that time and the aims and hopes of the movement were discussed in this book. In 1925, Professor Thomas Nixon Carver of Harvard University brought the attention of social thinkers to the new philosophy inherent in labor capitalism in his prophecy, *The Present Economic Revolution in the United States.* The reactions to the sweeping conclusions of this monograph were not altogether favorable, however. The more conservative wing of the labor movement and more experienced employers could not recognize so ready a solution of the old problem of labor-capital conflict as Carver heralded in the approaching identity of the two classes. These books and the numerous articles mentioned made labor banking a well-worn concept by 1925 and 1926. With the failures of these years and the decline in the number of labor banks in 1927 and thereafter, the public has heard less and thought less concerning labor's entrance into the field of finance.

What has been said concerning the interest of the American press and public in labor banking holds in large measure for that of the countries where trade union organization is at all similar to that in the United States. In England, Germany, and France, the labor banking movement in this country was followed with much interest and considerable comment in economic, current opinion, and labor journals. Interest in co-operation and in the labor movement, which has always been

keen in these countries, was all the more stimulated by the imposing size of the financial ventures of the Engineers and other national unions. European writers were largely dependent on secondhand sources, however, and reflected the attitude, if not the philosophy, of American journalists or investigators.

CHAPTER SEVEN

# POLICIES AND PROBLEMS

## A. PERSONNEL

THE problem of personnel is peculiarly important in all banks, but in labor banks it has proven to be most serious and significant. Labor groups sponsoring banks have usually not only lacked experience concerning banking practice but concerning bankers as well. The selection of active officers has been made under a handicap which has been of more consequence because of the dependence of labor bank directors upon the one or two experienced bankers they have employed. Since labor banks have been subsidiary enterprises of democratic organizations, official position in these organizations has quite generally been the chief qualification for place in the official family or directorship of the bank. Less directly, the situation of the other employees of some labor banks has been influenced by the unique character of the institutions. In fact, the selection and situation of the whole personnel of labor banks from president to floor man involve policies and problems not usual in the administration of old-line banks.

### 1. *The executive officer*

On account of the unusual responsibility assumed by executive officers of labor banks and their importance in determining the success or failure of the movement, it is necessary to weigh the experience of banks in selecting such officers.

In most labor banks the executive officer in charge of the day to day operation has been the cashier. In several cases the cashier has had the joint title of vice-president and cashier. In less than a third of all the banks has the president been in direct

and constant charge of the bank's business. More often this position has been reserved for a labor official or prominent citizen whose activity has varied widely from daily attendance to visits at long intervals. A few relatively large banks have assigned the title of vice-president or vice-president and manager to the executive officer, but in at least two of these cases his duties have been virtually those of cashier as well. The responsibilities of the cashier, under most laws, for periodic reports and the custody of assets has generally prevented the assumption of this title by inexperienced labor representatives.

While it is relatively easy to determine who is or has been the executive officer in most banks, in a few instances a president with little or no banking experience has attempted to force his policies upon the experienced vice-president or cashier selected to take active charge. If both have been men of strong minds, this has lead to conflict followed by the resignation of one or the other. The withdrawal of an early manager of the Cleveland Engineers' bank and of the president of the Houston bank are examples of this. More often in such situations the president has been less forceful than Stone in the Cleveland instance and the executive officer has remained, disgruntled but unwilling to give up his position.

With few exceptions the men chosen as executive officers of labor banks have had some banking experience. Two executive officers were business men, one a lawyer, and at least two others, bond salesmen before coming with banks. Banking experience has varied widely. A careful estimate based upon interviews with labor bankers and other bankers in their communities indicates that approximately a half of all labor banks have employed executive officers at one time or another whose experience has been limited, unsuccessful, or of a nature not qualified to prepare them for their duties or responsibilities. Probably no fact in the history of labor banking is more dis-

couraging than this record of faulty selection of key men. While in some seven instances incompetent or irresponsible executive officers have been replaced by men adequate for the position, in six banks a repeated poor selection has taken place! Eight labor banks continued under ill-chosen managers until sale or failure terminated their existence as labor banks.

Many factors have had their influence in bringing about this unfortunate record. A lack of realization of the proper qualifications of a bank executive and an underestimation of the compensation necessary to attract, under conditions existing, the grade of man required have been two underlying factors. Since labor banks have been looked upon as experiments, and as class institutions under the control of organizations opposed by many business men in the community, some bankers have not been prone to take positions in them. Many qualified bankers have preferred to take their chances of promotion in old-line banks, rather than accept higher positions in new labor banks. The labor groups choosing an executive have sometimes been unduly suspicious of the attitude of an available and successful officer toward the labor movement. Unfortunately, an embittered attitude toward other bankers, or limited experience in a labor bank elsewhere, has been considered on occasion a more important qualification than long and successful professional activity in other banks. A serious mistake has been to employ a banker because of his availability alone, even though this availability has been due to the failure of the bank in which he was previously employed or to his resignation because of lack of promotion. The worst mistake of all has been to place or accept the incompetent political or personal favorite of some influential labor leader in the position of executive officer. In more than one case this has led to most serious results.

The executive officers who have proved inadequate for their positions may be grouped roughly into three types which, of

course, overlap in particular instances. First has been the man sufficiently competent to be a good bank clerk or teller who finds himself beyond his depth when called upon to determine investment and loan policies. Without self assurance, he has not been able to enforce his ideas of sound banking on an ignorant or self-interested group of directors, and has permitted ill-advised practices to develop. Second has been the enthusiast whose rosy ideas of the purpose and future of labor banking have led him to adopt unsound but superficially profitable policies to stimulate mushroom growth of the labor institution. Like a skater on thin ice, he has moved rapidly to keep from breaking through. There is much more to be said for these two types than the third, for their intentions have been good. The third type has been the self-interested individual who has found the labor bank a soft berth with good remuneration while it lasted. Either actively, he has profited by his position at the expense of the stockholders or depositors, or passively, has been willing to see a failing or unsuccessful institution continue in order to get his pay. It has not occurred to the latter that professional honesty requires a banker to demand termination or reorganization of an ailing bank to safeguard the depositors who have entrusted their savings to him.

A concomitant of inadequate executive personnel, which has been accentuated by lack of judgment on the part of labor bank directors, has been the rapid turnover of managers which has taken place in some institutions. This rapid turnover, although justifiable where improvement has resulted, has had its effect on the public's confidence in the institution. At least two institutions have come to an unsuccessful termination partially because of this reason. One group of banks has seen fit to shift officers from one bank to another, and several other labor banks have not given due regard to the importance of those local contacts which can be developed but slowly.

To offset this unpleasant picture of labor bank experience, it is necessary to include at this point the contrasting experience of other banks. Among those labor banks constituting the half whose experience has been more favorable, several institutions have selected managers whose professional ability and attitude have been most evident. More recently the trend in the selection of executives has been toward the choice of more capable and experienced bankers. More emphasis has been placed on business qualifications than on professed or apparent attitudes appealing to the more class-conscious labor leader.

While in most labor banks the character of the executive officer has come to be that of the professional banker in regard to his experience and his attitude toward methods of banking, the degree of interest shown by these officers in labor banking as a social experiment and a part of the labor movement varies widely. Quite a number of managers, mostly in banks no longer labor institutions, have looked upon their bank's connection with the labor movement as a more or less unfortunate accident. They have been and are primarily interested in their own professional position and have looked upon the bank as a source of income—the more successful the bank, the better the position. A large number, fortunately, have been willing to give the experiment a sporting chance sufficiently to bend their energies to make their bank a successful *labor* bank. A small minority have coupled cautious and capable administration with an inspiration that labor banking has a real place despite the difficulties and failures it has faced. Whether trained in the labor movement or not—and more often the latter is true—it is upon the social mindedness and perseverance of such men that the future of labor banking depends.

Labor leaders have not made the place of the labor bank executive an easy one. Not only have the responsibilities often exceeded those indicated by the title given the incumbent, but

in many cases they have exceeded the authority permitted. The executive has sometimes found himself responsible to depositors, borrowers, examiners, and superior officers, with a board of directors as suspicious and partisan as untrained. Caution, especially as to personal loans, has been regarded as parsimony, and cooperation with other banks as disloyalty. Directors have failed to support the executive in getting new accounts, and yet have become much aroused at expenditures for advertising. Refusal of concessions to friends has been made a personal question. An inferiority complex on the part of directors has required the executive to nurse along his board when his energies should have been devoted to banking problems. While such experiences have not been universal, they have been frequent.

2. *The president*

In most labor banks the president of the institution has been a labor official or a prominent citizen rather than a trained banker. The former arrangement has been considered advisable to tie up the bank with the trade union controlling it or with the local labor movement. In some instances, it has not been considered necessary to reserve the position for a person who could contribute to the management of the bank. Elsewhere, following Stone's dictum and precedent, the qualifications for participation in the bank's management have been considered less exacting than those of directing a union. Some union officers have shown themselves industrious and capable as bank presidents. Their greatest contribution, however, has been that of securing deposits, especially from the labor group in their community. In a few cases they have been a force for conservatism, but more often they have been too busy with other affairs to assist in the determination of day to day policies. Such decisions have fallen upon the active officer in charge, with varying degrees of help from a discount committee.

Too frequently the trade union officer who has accepted the position of bank president has not realized the serious responsibility he has assumed. The title and the outward signs of office have been attractive to individuals of vigorous personality. The dangerous precedent set by Stone has run its course through the whole labor banking movement. Not only has the financial responsibility been taken lightly, on occasion, but the moral responsibility to the depositors, stockholders, and the labor movement as well.

Wherever the president of a labor bank has been a principal officer of a national union there has been the danger that either the bank or the union would suffer from lack of attention. This has been more likely in those cases where a single union has had control of the bank. The Engineers' experience is but the most striking. The Clerks suffered in the same way until arrangements were altered. Usually it has been the union which lacked attention in such cases, but in at least one instance it was the bank. As an exception it may be cited that the president of the Flint Glass Workers formally gave up most of his duties as president of the union on assuming his work in the bank.

The dangers of joint responsibility for the administration of a bank and a trade union have certainly not been lessened when those of directing a securities company have been added, as in the case of the Engineers. With almost unbelievable presumption, Stone placed himself at the head of a large and miscellaneous assortment of financial enterprises. The combination of officerships in banks and securities companies appeared in some of the Engineers' Pacific Coast institutions, and seldom with any justification from experience. Other trade union enterprises in the East have permitted similar combinations of officerships.

As has already been noted, experienced bankers have been selected as presidents in a number of labor institutions. Next

in frequency lawyers have been called to assume the position. They have accepted the position for widely varying reasons and with equally varying success. Friendliness to the local labor group and willingness to lend prestige to its enterprise, the need of the labor bank for legal and financial advice, and interest in the bank as a social experiment have all served to bring lawyers into such positions. In two or three successful labor banks, lawyers are now presidents. In two others legal training has been unable to make up for a need for sound banking judgment in preventing unsuccessful termination. In general, lawyers have realized their responsibilities in entering office more than have labor leaders.

Men with other professional training or in business have become labor bank presidents. At least one professional politician has assumed the rôle for a time. Experience favors the business man. The politician did little to aid the bank.

3. *Cashiers*

In most labor institutions the position of cashier has been filled by an experienced banker, usually the active executive officer already discussed. In those exceptional cases where a trade union official has filled this position, the responsibilities involved have been largely assumed by the experienced officer. There seems little justification for this separation of responsibilities and office. It is, however, but a manifestation of the same inconsistency which has run through the organization of many labor banks.

The position of assistant cashier in labor banks has been similar to that in most banks. With the existence of many inexperienced and inactive presidents and vice-presidents, however, such junior officers have often participated in determining the day to day policy of the bank more than would be true in other institutions. It has been not at all unusual to find a smaller

labor bank doing business with the cashier and an assistant cashier bearing practically the whole burden of keeping the bank in business. In these cases, the president may visit the bank periodically, or daily for a short time, while the vice-presidents are even less likely to be at the bank except very occasionally for meetings of a discount committee.

4. *Vice-presidents*

The position of vice-president in many labor institutions has been considered the rightful berth of prominent trade union officials or of persons active in promoting the bank. In some banks, especially those controlled by a single national union, vice-presidencies have been multiplied to satisfy the claims of the officers of the union or members of its executive board for recognition in the union's bank. Active and inactive vice-presidents appear in the list of officers, often without designation such as "excutive" or "and manager" to indicate the true situation. The inactive incumbents, who are in the great majority, expect the outsider or depositor to look upon them as responsible officers of the bank.

This device of labor banking may be upheld as less objectionable than that of the inactive president and more justified by practice in other institutions. The danger lies in the fact that titular officers, especially when inexperienced, are likely to exercise the authority presumably vested in their office on occasions when interference is not desirable. An intelligent and consistent bank policy requires that those in a position to influence it be apprised of the problems faced. It is serious enough to have a president but partially informed yet likely to pass judgment, without having two to eight vice-presidents, even less informed, who may participate in the counsels of the bank. A president, even though inactive, is more concerned with the problems of the institution than inactive vice-presidents. Ex-

perience and discretion may sooner limit his desire for arbitrary authority.

If titular vice-presidents were satisfied with titles alone, their existence would not be questioned, except as all unreal appearances may be questioned. If they were content to be unpaid new business representatives, as many are, their existence would be justified. But the potentialities of interference in management, the temptation to secure compensation for work undone, and the displacement of the active managers of the bank from their proper rank all militate against accepting as a wholesome adjunct the panel of inactive vice-presidents in many labor banks.

Where vice-presidents are active, full-time officers in labor banks, many are experienced and are the executive officers. The presence of active, inexperienced vice-presidents seems immediately to suggest dangers. But even if inexperienced there may be a place for one such officer. Probably the most justifiable arrangement, if a representative of controlling trade unions is to be placed on the official staff of the bank, is to make that representative an active vice-president, if the bank's size warrants. This has been done in several institutions, notably the Amalgamated banks. This representative becomes a liaison officer between the bank and the rank and file of the union in day to day affairs. Often he is a "front office" man who can lend an air of friendliness to the business transactions carried on by other members of the bank's staff. New business is his particular interest and not banking policy. Rotation of the office may be desirable if education of the leaders of the labor group in the problems of banking is desired. However, this can be done through rotation of directorships with less interference in banking operation.

There are certain unfortunate conditions which have affected the employment of all grades of officers, active and inactive, in

some labor banks. They may be suggested here and discussed at greater length in a later chapter. Trade union politics have on occasion influenced not only the selection of inactive officers who represent the labor interest in some banks, but the active, experienced officers as well. Further, salaries of officers have sometimes been set at rates much in excess of the contribution of the recipient to the institution. Influential persons in some instances have received salaries because men in like positions in other banks have received them, not because they have earned them. Men have been made big bankers over night by title, office, and compensation. Finally, the old, deserving trade union leader without other qualifications has fared too well in the selection of bank officers. Many executive officers responsible for the bank's financial soundness have objected to these serious tendencies, but their objections have too often been overruled.

### 5. *Directors*

Turning to the directors of labor banks, many problems similar to those concerned with officers have arisen. Labor bank directors as a group have been little prepared to fulfill the duties usually expected of persons in such office. Coupled with lack of business training has been a limited financial interest in the bank. Most labor bank directors have been elected not on account of large participation in the purchase of bank stock, which has usually been strictly forbidden, but because of their position in the labor movement or, less frequently, in the public affairs of the community. Acceptance of office has often been attended by little realization of the financial responsibility involved.

The location of control, the supposed purposes of the bank, and the impossibility of considerable dividends on stock have discouraged many able business men from accepting election to

directorships in labor banks. Knowledge of the liabilities involved and the inexperience of prospective fellow directors and officers has discouraged some. Even in the case of successful banks in financial centers, the existence of prejudice among bankers against class banks has been an obstacle to securing experienced directors for the labor institution. Professional men and public officials, especially persons interested in the political possibilities of cooperating with the local labor movement, have been more ready to accept office as directors in labor banks. Some able and experienced business men have become directors through interest in the labor bank as a bank, and a small group of individuals of all vocations outside the labor movement have done so because of their interest in such institutions as social experiments.

More important than the hesitancy of possible candidates outside labor circles as a reason for the large predominance of the latter group on the directorates of many labor banks, has been the prevailing opinion that trade union officers were quite the logical candidates. Until experience lent doubt to the premise, it was assumed that the rank and file of the labor movement would provide the deposits for labor banks. Labor directors were supposed to be the appropriate agents to secure labor's money and control its use once deposited. The need for business men on the board to attract commercial deposits, as well as to advise on lending policies, was not felt until the slow development of labor savings was apparent. Labor directors, however, with the more or less indifferent support of the stockholders, have held fast to their positions even when the banks greatly needed business directors to assist them in all phases of their operation. They have allowed suspicion of bankers and open shop business men, as a class, to militate against the best interests of the bank.

The result has been that in a large number of labor banks the

board of directors, taken as a whole, has been a hindrance rather than a help. The time of trained bankers has been taken in educating and conciliating inexperienced and suspicious labor directors who should themselves be the advisors on policy and active agents in getting new business. The large size of many boards of directors has been a problem. Instead of an occasion for informal and yet impersonal discussion, the directors' meeting has sometimes become a small edition of a union caucus. Voting has been according to the personal following of spokesmen, and not according to financial analysis and reasoning. There is sufficient explanation why many experienced labor bank officers whose optimism and tact are not inexhaustible have become discouraged with their board of directors.

Some labor directors, however, have obtained considerable deposits for their banks. More often, they have been satisfied with their record in selling stock, and have left the development of new business to the active officers.

A dangerous fault of many labor directors has been their proneness for mixing the personality and the credit rating of borrowers. A typical reaction of the labor director when asked concerning the risk involved in the bank's lending to a fellow worker has been, "I've known Bill ten years and would give him the shirt off my back if he needed it." The banker who questioned Bill's ability to repay the loan rather than his personality has found it difficult to make the distinction explicit. Cautious friendliness is not an easy attitude for labor leaders to attain toward their fellows.

Few labor directors have had previous experience in selecting investments, judging business risks, or real estate values. The salaried officers of the bank and, occasionally, the friendly advice of an outside banker have been relied upon wherever experienced business men have not been included on the board. In one larger institution an investment expert has been em-

ployed on part time, but this arrangement is impossible in smaller cities and towns.[1] Many figurehead directors chosen from professions and public office have not taken sufficient interest or had the experience to be of much help. Some business directors have used their positions to their own advantage. Here and there a trade union treasurer or other officer of long experience has lent weight to the counsels of the board. In general, however, the directorates of labor banks have been a very serious weakness in the movement.

Much of the criticism which has been directed at the directorates of labor banks holds as well for many small city and town institutions not connected with the labor movement. The larger financial interest of most bank directors in their institutions has, however, offset in part the dangers of inexperience and inertia.

It would be a happy conclusion to state that a pronounced trend toward the election of experienced directors to the boards of labor banks has set in. While there are some indications of such a trend, they cannot be called pronounced. Perhaps labor is wise to safeguard its control of its own banks and their policies by majority representation on boards of directors in addition to majority stock ownership.[2] But the disadvantages already suggested cast serious doubt on the advisability of such heavy representation in most cases where it exists. Labor directors will gradually become experienced, if retained on boards, and receptive to the advice of the salaried bankers they employ. Such education has been expensive and it has been the stockholders and, in a very few cases, the depositors who have paid.

While it would require much space to enumerate the principal exceptions to the usual make-up of labor bank directorates, a few should be included. The Machinists' bank in Wash-

[1] The New York Empire Company aided the Engineers' banks in selecting investments.

[2] *cf.* Chapter XI.

ington, perhaps on account of its affiliation with another bank in that city, in which the union is interested, and the conservative policy of the union towards the bank, has from the first had a predominance of business directors on its board. The Pressmen's bank in Rogersville has also maintained this condition. This has been more likely where a national union has looked upon its bank mainly as an investment, rather than an active force in the labor movement.

The Amalgamated banks and the New York Federation Bank have developed the feature of the advisory board to obtain the support and advice of business men, financiers, public officials, and professional people for their banks without further diluting the labor representation on their directorates. While the interest and activity of the members of the advisory board vary widely, taken as a whole, their identification with the bank seems to be an asset worth some pains to develop.

6. *Junior employees*

As would be expected, the character of the employees of labor banks has varied with that of the managements. In the majority of institutions, there has been little difference in character or attitude of employees from that existing in other banks. But where politics or favoritism has entered in the selection of officers it has been paralleled in choice and promotions of other personnel. Where a bank has been overofficered with individuals on salary, it has been overmanned, probably to a lesser extent. In one large institution the staff became decidedly overmanned because of the generosity of the chief executive in adding members of the controlling union who for some reason were deemed worthy of special consideration. When this situation was remedied later, efficiency was not the sole test of survival. Wherever such conditions have existed,

the effect on morale has been serious. Most labor banks, however, have been well served by their junior employees. The professional spirit of the American bank clerk has done much to aid the labor banking movement.

The position of the employees in many labor banks has not been as ideal as might be expected when labor leaders became employers. In the attempt to secure deposits and to make banking convenient for working people, it has been the tellers and clerks who have worked long hours. Pay has not usually been commensurate. It is a common criticism of labor banks that they have not paid their employees any more than other banks, or as much, in some cases. It is hard for a skilled craftsman in a strenuous occupation to see why clerks in offices deserve an equal compensation. More than one bank manager desiring to improve or retain his staff has made a futile attempt to make this point clear.

Trade union organization of bank employees has appeared in approximately one-third of the labor institutions. On the part of the directors, it has been a matter of principle; on that of most managers, a step necessary to satisfy more critical members and city central unions. Organization has usually been encouraged and not spontaneous. In most cities, however, no appropriate union has existed and bank employees have found little satisfaction in attending the meetings of organizations concerned with wages in stores and large offices. Where a local union of bank clerks has been formed, activity has been sporadic and there is but one instance recorded of even a threat to strike. Organization has been so limited in this field that both employers and employees in labor banks have realized its presumptive rather than practical importance. The Amalgamated banks have probably gone farthest in developing active relations with employees' organizations.

B. LOCATION AND EQUIPMENT

The problems of location of labor banks concern both the city and the place of business of the bank within the city, in relation to other banks, the convenience of depositors, and the offices of the union or unions controlling it.

While there has been a correlation between the strength and activity of trade unions in certain cities and the formation of labor banks in them, the correlation between the need for an additional bank in the community and the initiation of a labor bank is not so evident. In a majority of instances the latter can be tested only by the growth of the labor institution and that of other banks since the former has been doing business. Even this test is not altogether adequate because managements and labor support have varied widely. The opinions of competing bankers in the community, especially with the recently increasing tendency toward fewer and larger banks, must be somewhat discounted.

Labor banks in a number of cities have been but one of several new institutions started in recent years as a result of the supposed or actual profitableness of banking enterprise. In these communities the labor group has been encouraged rather than discouraged by this fact. The class character of the labor institution has occasionally set it apart from these younger competitors sufficiently to allow the labor bank to grow while the other new banks have not. In a half dozen or more instances, however, labor banks have been started in communities already markedly overbanked. The turnover rate of such banks has been high. Other factors have affected this turnover, such as undercapitalization, competition in the same type of banking, and speculative use of funds in the absence of business borrowing, but the number of competing institutions has been an important cause for termination.

Houston, Philadelphia, and Pittsburgh may be suggested as cities illustrating this situation. In Philadelphia three labor banks existed for a time. Two strong national unions and a group affiliated with the central labor organization of the city attempted to develop banks. One union withdrew from its venture after a year, another sold out, while the bank sponsored locally ended a disastrous career with a large deficit brought about, it is charged, by serious mismanagement. The existence of apathy on the part of organized labor and of the Mitten Bank specializing in workingmen's needs augmented the difficulties due to numerous competitors.

The Engineers have started at least four of their banks in communities already overbanked. Of these, three have been sold and one has failed. Of two other labor banks sponsored locally in overbanked towns, one has grown very satisfactorily on account of unusually good labor support, while the other has had but limited success.

The usual criticism of the present situation made by financial students is that there are too many small banks. It is not surprising, therefore, that it is difficult to find a city in which a labor bank has entered an underbanked community. One case may be cited. The Engineers' bank in Tacoma has probably been most fortunate in this regard. The growth of the city and the elimination of weak banks in earlier times of stress seems to have made the initiation of a new bank fortuitous. The majority of labor banks, however, have come into existence in communities where competitive conditions have been normal, which in this country has meant the existence of numerous banks relative to the size of the city.

There are a few exceptions to the rule that labor banks have been started in cities where organized labor has been strong. Los Angeles and Gary are usually considered open shop cities. It has been the building trades which have given impetus to the

institutions started in these cities. Indianapolis, though the home city of several strong national unions, has not had widespread organization. The impetus for the bank in that city came from outsiders, who enlisted the support of the building trades. The Miners through Lewis came into the enterprise some time after the sale of stock had commenced.

A somewhat comparable situation has existed in those cases where the Engineers have started banks in cities where their members are not numerous. Neither San Francisco nor Seattle are terminal points in which many engineers reside. Both of these cities, however, have strong representation of other organized crafts.

Most groups organizing labor banks have realized the value of convenient location within the city in leasing banking quarters. Several institutions, such as the two banks now operating in New York and those in Tacoma, Jersey City, and Hammond, have been most successful in their selection. One or two other institutions have erred in obtaining central location at the expense of excessive overhead.

The more usual error, where misjudgment has occurred, has been the underestimation of the value of central location. Location on a side street has been entirely justifiable in some cities, where smaller banks have needed to economize in rentals during early years. It has been two or three of the larger banks whose choice of location is most open to criticism. In order to have their bank adjacent to the headquarters of the Brotherhood, the Engineers selected a site for their new bank building quite apart from the financial district of Cleveland. A change in the railroad terminal in that city in the near future will make the location of the bank even less central. The Brotherhood for a time owned a bank building much better placed, but gave it up for the larger and more elaborate quarters in its own building. The Clerks, likewise, started their bank in their

new headquarters building some distance from the financial center of Cincinnati. The Machinists' bank, while in the national headquarters building and somewhat apart from the financial district of Washington, is virtually a community bank affiliated with a larger institution more centrally located. A handicap faced by the Engineers' San Francisco bank was its poor location for the type of business it expected to do.

Several labor banks, in addition to those mentioned, are located in the same building as union offices or meeting rooms. This arrangement has shown itself to be desirable where central location has not been sacrificed. The location of the New York offices of the Amalgamated Clothing Workers in the same building as their bank brings many members to the bank and suggests constantly the close relationship of the union and its subsidiary. The union has many members in New York, so that the arrangement is in this case more effective than it would be in that of a national union with limited local membership.

Branches have been established by a few labor banks in order to secure business in outlying districts or towns. The Engineers' Cleveland bank has had both a branch office in another part of the city and the affiliated but distinct Nottingham bank acting as feeders to the main bank. The latter institution was expected to obtain the business of the railroad shopmen employed in its neighborhood. Three labor banks in the Pacific Southwest started or purchased branch offices. These included the San Bernardino bank with branches in Barstow and Needles, the Bakersfield bank with a branch in East Bakersfield, and the Tucson bank with a branch in Winslow, Arizona. In the case of the first three branches, the business of railroad workers especially was sought. The Brotherhood State Bank of Spokane, located in the Hillyard district some distance from the center of the city, was virtually a community branch of the larger Engineers' bank in Spokane, aimed to reach a large

number of railroad employees living in Hillyard. The affiliation of the Machinists' bank in Washington with the Commercial National Bank has already been mentioned.

Related to the problem of selecting a proper location for banking quarters, has been the investment put into equipment and building, where the latter has been purchased or built. The Engineers invested heavily in their Cleveland bank building and constructed one of the most magnificent banking rooms in the city. Heavy investments in buildings, leases, or equipment were made by at least three other Engineers' banks. An attempt was made to secure prestige both for the bank and the Brotherhood by the elaborateness of the banking quarters. The overhead caused by these investments does not seem to have been justified by results. Another national union obtained a very handsome structure for its bank but one of such a type that large overhead cannot be reduced by renting offices. The proper balance between prestige of building and overhead has not been easy to secure, especially in the case of national unions who desire to suggest their stability and strength through the physical appearance of their bank.

Most labor banks have been satisfied with unpretentious but dignified banking quarters. Among them have been the most successful institutions, whose stability and strength have been indicated more by statements of condition than by banking quarters.

### C. DEPOSITS

Labor banks as a class have been predominantly savings banks. Although every labor bank has carried on commercial business, in recent years an increasing majority have shown savings deposits in excess of commercial deposits. At the end of 1926, the peak year of the movement, a bare majority of banks showed this preponderance. By 1929, however, approxi-

mately three-fourths of the continuing banks had more savings deposits than commercial. A comparison of the totals of deposits for all banks in December, 1926, and in December, 1928, shows a considerable increase in the ratio of savings to commercial deposits. In December, 1928, this ratio approached two to one.

Both *a priori* reasoning and experience leads to the conclusion that a savings business is more adapted to labor banking. The advantage of labor institutions lies in their contact with small savers. A purpose of the movement has been to mobilize the savings of workers. Handicaps in developing commercial business, except personal checking accounts, are inherent in the class character of the movement. A lack of contacts with business men and limited experience in estimating business risks are natural in such a movement. The increasing proportion of labor banks doing a preponderately savings business, while partly fortuitous, must have some weight in a decision as to the adaptability of labor institutions to the two kinds of banking business. The main reason for this increasing proportion has been the much higher rate of termination of labor banks with an excess of commercial over savings deposits. Of thirteen labor banks transferred to nonlabor groups or merged with other institutions from the end of 1926 to July, 1929, nine were of the latter group. Of the other four, one was the City National Bank of Spokane, Washington, whose termination was partly the result of a serious banking crisis in that city.

The reasons for the termination of labor banks will be discussed later. It is sufficient to suggest here that most of the nine banks mentioned above failed to develop an extensive and stable business of workers' savings, and instead found it necessary to rely upon a commercial business in which they were at a comparative disadvantage as a labor institution. The non-

labor groups taking over these banks were in most cases bettering the chances of the bank in competition with other commercial institutions.

It is very easy to make too sweeping conclusions as to the importance of an excess of savings over commercial deposits in the survival of labor banks. In some cases the two types of deposits are nearly equal in amount. Of the five labor banks now existing in which a predominance of commercial deposits occurs, two are in small towns or cities and one is in a large city where competition for commercial deposits has been limited by the relatively small number of banks in the community. The two remaining institutions have not received broad support from the labor groups in their communities and at the same time face the competition of numerous commercial banks. It is fair to say, however, that both of the latter institutions are managed by bankers of long experience.

While not an exception to the rule that most labor banks with the active support of the local labor movement doing business in larger cities show a predominance of savings deposits, the New York Federation Bank has had a larger proportion of commercial deposits than most continuing labor banks. This has probably been due to the wide contacts of the officers of this bank in business, financial, and government circles. The recent increase in the rate paid by this bank on savings deposits will probably have a pronounced effect on the relative growth of this type of business.

A somewhat similar situation exists in the case of the Chicago Amalgamated Bank. An important factor affecting this bank's business is the widespread use in Chicago of real estate first mortgages as an investment security for small savers. Also, the bank pays but three per cent on savings accounts, the rate set by the local clearing house.

1. *Savings deposits*

The relative degree of support given labor banks by organized labor in contrast to unorganized, unskilled, and small-salaried workers has already been noted.[1] The first expectations of large support from the members of sponsoring unions were not fulfilled in at least a majority of instances. The source of savings deposits has usually been a cross section of the small savers of the community. While trade union members have appeared more frequently among the depositors of labor banks than in other banks, they have been the chief support in relatively few cases. Trade unions as organizations have been much more responsive in making deposits and a good number of such accounts have been of a savings or reserve character. The relations between labor banks and the local labor organizations and their members have already been discussed. The banking problems of securing deposits, especially savings deposits, by other appeals than trade union or class loyalty are those which are here concerned.

With labor support limited, most labor banks entered the competition for savings accounts on a basis little different from other institutions. Of the various features developed by labor banks to attract savings deposits, liberal rates and liberal computation of rates have probably been most widely effective. About a third of the banks have paid more favorable rates on such accounts than have other banks in their communities. Approximately half have computed interest by a method more favorable to the depositor. Four per cent has been the ruling rate paid by labor banks, and in several communities they were the first to pay this rate.[2] Computation of interest from date of

[1] *See* Chapter VI.

[2] Thirty-four labor banks have paid four per cent on savings deposits during most or all of their period of operation. Of these, two, the New York Amalgamated and Federation banks in 1929 increased their rate to four and one-half

deposit to date of withdrawal, long periods of grace, quarterly compounding, and liberal treatment in case of withdrawals before interest date have all been used in various combination. All have had their effect in attracting deposits, to the extent that they have been more favorable than the regulations of other local banks.

In addition to the basic rate, many labor banks have offered the possibility of profit sharing dividends to savings depositors as an attraction. Three banks, those in Cleveland and Hammond and the larger Spokane bank, have paid cooperative dividends for a period. The Hammond bank has continued to do so. Other banks have considered their more favorable contractual rate as containing an element of profit sharing. The payment of profit sharing dividends has had a pronounced effect on the number of new accounts in those cases where it has been used. One of the chief proponents of the plan has called it the best advertising device ever developed to attract savings. The mushroom growth of the Engineers' Cleveland bank was largely due to the repeated payment of cooperative dividends to savings depositors in addition to a liberal basic rate.[1]

The payment of liberal returns to savings depositors was a matter of principle as well as of business on the part of most labor banks. The questions of policy involved must therefore be considered on a somewhat different basis than that which would be proper in the case of other banks. If the stockholders of labor banks are willing to forego dividends in order that depositors profit, that is within their rights. If, however, they expect dividends at favorable rates despite the payment of

per cent. The Minneapolis bank later decreased its rate from four to three and one-half. Three banks have paid three per cent throughout their existence but of these, two have paid four per cent on certificates of deposit.

[1] Many well-to-do people in Cleveland were quick to take advantage of the higher rates paid by the bank.

liberal interest rates or profit sharing dividends to depositors, it is necessary to consider whether sound banking policy will permit fulfillment of their expectations.

The outstanding example of the Cleveland Brotherhood bank first comes to mind both on account of the liberal dividends and interest paid and the great influence this bank's practice had on the policy of other labor banks. The record of dividends paid stockholders by this bank is: 1921, six per cent; 1922 to 1926, inclusive, ten per cent annually; 1927, seven per cent; and 1928, five per cent. From 1921 to the middle of 1925 cooperative dividends were paid to savings depositors at the rate of one per cent a year. Within four years of opening, the bank had built up twenty-six millions in deposits.

A reason advanced for the bank's ability to pay such dividends is that its bond department was very successful in both the purchase of bonds for the bank's own account and in merchandising new issues. The rise in bond values which took place following the inauguration of the bank and its rapid accumulation of deposits afforded large profits. Further, the bank carried on many transactions in Cleveland real estate securities upon which it received large commissions. While this business was of a speculative nature, it is said to have been remunerative in the favorable market existing. It has become common knowledge since, however, that the portfolio of the bank during these years included a great deal of paper of more than doubtful quality. This paper may have been profitable in the short run until large bad debts arose. Insufficient surplus and undivided profits were accumulated so that at times the ratio of deposits to capitalization approached and on occasion exceeded twenty to one. It is reported, further, that repeated impairments of capital had to be remedied by the assumption of paper by the Brotherhood itself or by other enterprises under its control. At

one Comptroller's call surplus and undivided profits were approximately $67,000, making a capitalization of $1,067,000 while deposits were $23,600,000. Both a ten per cent stockholders' dividend and a one per cent depositors' dividend were being paid at this time.[1] Thus both reports published at the time and later disclosures show the extremely unconservative policy the bank was following. No matter how much profit was made in its bond department, investments, or elsewhere, the high dividends paid cannot be justified if such conditions as to net income, capital, and resources existed. Yet this precedent was held up to labor groups throughout the country as the model for labor banks to follow.

A contrasting example is that of the Peoples Co-operative State Bank of Hammond, Indiana. This bank has paid dividends approximating a ten per cent annual rate since 1922 and in addition an annual one per cent cooperative dividend to depositors during this period. While steadily growing deposits have exceeded ten times capitalization during most of the bank's history, its capital was at one time doubled, and surplus and undivided profits have been accumulated sufficiently to keep the ratio within reasonable limits.[2] Under able and cautious management the bank has developed, among other lines, a profitable mortgage business in its growing community. The experience of this bank, while highly exceptional, indicates the possibility of success of the cooperative dividend plan for a relatively long period under propitious conditions of management, labor support, and community prosperity.

In a majority of instances, as far as can be determined, the introduction by a labor bank of a rate of interest on savings deposits more favorable than that prevailing in the community has been followed by a rise in the rate paid by some, or all,

[1] *See* Appendix B, Part I.
[2] *ibid.*

competing institutions. This has meant that the competitive advantage of the higher rate has been eliminated and the doubtful satisfaction of initiating a higher prevailing rate has been the only outcome. More than one labor bank officer has regretted the resulting situation, since the new bank has been least able to afford the narrowed margin between interest paid and investment return.

There has been considerable dissatisfaction among experienced labor bankers as to the unusually favorable methods of computing interest on savings accounts as well as to the basic rate paid. The payment of interest from date of deposit to date of withdrawal on accounts of thirty days' duration, and the unusually long periods of grace introduced by promoting groups have been much regretted in several instances. Regulations have been changed more frequently than rates, since the opposition of labor directors and the reaction of depositors to such change is likely to be less pronounced. Excessive bookkeeping expense, as well as the increased cost of funds, has required this step. While the resulting regulations have, of course, been less favorable to savings depositors, the labor bank has still been able to avoid "cutting the corners" in interest computation in the way practiced by some competing banks. Goodwill has been maintained or developed by generous treatment short of expensive concessions.

The individual stockholders of labor banks and the members of sponsoring trade unions, in most instances, have expected early and liberal dividends. This could be but normal with the small investors to whom stock has been sold, in many cases, with promises or a suggestion of such returns. To a less extent, union members, whose accumulated dues have been invested in bank stock, have expected quick returns. Only the more far-sighted union officers and bank executives have realized the probable effect of liberal treatment of savings depositors on

stockholders' dividends, and have consciously made the decision to depart neither from this cooperative principle nor from conservative banking to satisfy the desires of stockholders for dividends. But experience shows that moderate concessions in rates are met by competitors in most cities and that very liberal regulations such as interest from deposit to withdrawal date are a greater expense than the real advantage to the depositor warrants. It is left to the labor banker either to make *marked* concessions in rates which cannot be met by competing non-cooperative banks, or to be satisfied to avoid cutting the corners, to compute interest frequently, and to pay not more than the best rate prevailing in the community. The first alternative has but the precedent of the Hammond bank to sanction its choice, the second has been chosen by most of the better-run labor banks in the country which have not had the unusual advantages of the Hammond institution.

Labor banks in certain cities, more especially New York, Seattle, and San Francisco, have experienced severe competition by mutual savings banks or savings and loan companies in securing savings deposits. In New York, the two existing labor banks have been led to increase their rates to meet mutual savings bank competition. In the West Coast cities mentioned, the labor banks have been obliged to look to commercial accounts as their main source of funds.

In order to supplement favorable returns and regulations as a means of building up savings deposits, labor banks have used several devices frequently employed by other banks. The results obtained from such methods and their adaptability to use by a class bank may be noted briefly.

Banks sponsored by national unions have frequently featured banking by mail. The Engineers', Telegraphers', and Clerks' and, to a lesser extent, the Machinists' and Glass Workers' banks have pushed this device. The Engineers' Cleveland bank

and the Telegraphers' bank have had the most successful results. The Engineers' bank in 1928 had approximately three million in deposits received by mail, while the Telegraphers' bank had approximately a million and a quarter in the preceding year. About a third of the depositors in the latter bank do business by mail. Both the Engineers' and the Telegraphers' organizations are made up of a large number of widely scattered divisions bound by a highly centralized administration and strong craft loyalty to national headquarters. Both have excellent journals and active officers. Their members are accustomed to participation in union affairs and are relatively well paid and thrifty. Many are located in small towns where banking facilities are limited. These circumstances are ideally suited to the development of a mail deposit business by the headquarters bank.

In the case of no other banks have these circumstances been duplicated. The Engineers' banks outside of Cleveland have lost the mail deposits which the headquarters' bank has gained. The Clerks', Machinists', Pressmen's, and Glass Blowers' organizations are not as highly centralized. Interest in the headquarters banks has not been as keen because of differences of opinion, less publicity, or local ties in the larger cities where membership is concentrated. The Amalgamated banks have large local memberships in New York and Chicago upon which to draw. Their membership outside of these centers is found principally in other cities of large size where banking facilities are extensive. Although all these banks have advertised banking by mail among their members, the results have been limited.

A few locally sponsored labor banks have developed mail deposits. The Great Falls and Tucson institutions, in sparsely settled regions, have obtained support from farmers and railroad men in this way. Advertising has brought some mail busi-

ness to a few in the East. The absence of craft ties and headquarters prestige has greatly reduced possibilities.

Several objections are raised against banking by mail by labor bankers and others who have had experience in this type of business. It is held that banking is essentially a local and personal service. Should a mail depositor desire a loan, the bank is not warranted in extending credit to an individual unknown to the lender and whose intentions, ability, and character can be learned but from himself or other little-known individuals. Credit ratings by distant trade union officers are almost valueless. Should a savings depositor wish to open a commercial account, inconvenience and expense are caused by the increase in transit items, clerical help, and correspondence involved. The use of time certificates of deposit, as by the Telegraphers, eliminates some practical objections, if depositors have no need for funds over relatively long periods. Local subordinate divisions or out-of-town national unions may have idle funds which could profitably be used by a bank with a minimum of overhead, but a request for loans is always an awkward possibility. A strong and prosperous national union, under conditions similar to those enumerated in the case of the Engineers and the Telegraphers, may look to mail deposits of members as a continuing source of support, but there is little cause to expect that such support will be important in the growth of most labor banks.

The collection of savings deposits in plants and shops is a device used by a few labor banks. The Amalgamated banks with strong shop organization have developed this device to a limited extent. The close affiliation of employers to old-line banks, the presence of various crafts and unorganized workers, the dangers and expense involved, all militate against the extension of this method of securing savings.

Christmas and similar savings club plans have been devel-

oped by labor banks. Their success, however, has varied with many circumstances related but indirectly to the labor affiliations of the bank. A less usual development has been that of insured savings. This novelty was seized upon by the Engineers, who at great expense organized their own agencies to handle it. Although aimed to satisfy an important need, the plan seems to have had but a transient advertising value in building up savings. Most of the labor banks which have used the plan have since discontinued it because of the amount of expense and labor involved relative to the goodwill established. Except for the Engineers' ventures the insured savings system can be dismissed as a new business device of no especial significance in labor banking apart from the fact that as new institutions labor banks were prone to adopt such devices.

Souvenirs, prizes, coin banks, and other novelties have been distributed by labor banks in order to attract goodwill and deposits. The inclination to do so has probably been stronger on account of the desire to appeal to new savers and especially to members of sponsoring unions. Many labor bankers have come to the conclusion, however, that such advertising methods are extravagant and subject to censure by thrifty depositors who realize their cost. Few short cuts for obtaining savings deposits have been found to pay.

2. *Commercial deposits*

Commercial deposits have been less a feature of labor banking for several reasons. Larger and older enterprises, especially those not dealing with organized labor, have not been prone to do business with a new class bank. The loan limits of most labor banks are insufficient to satisfy the needs of larger concerns. Smaller businesses, such as local stores, shops, and construction companies, more often when recently started or when the goodwill of organized labor has been valued, have placed

their deposits in a near-by labor bank. Supplementing such accounts, more in number than in volume, have been a host of small individual checking accounts.

Many labor banks have developed a sound and profitable commercial business of some proportions. Where experienced bankers have been employed throughout the bank's existence, this type of business has approached in character that of other banks. Especially where there has been a real need for an additional bank, commercial accounts of good quality have been forthcoming. But like any new bank, especially in overbanked communities, labor banks have been favored by many poor accounts. Older banks have put pressure on concerns of doubtful standing or have raised the requirements for loans. The opening of a labor bank with a little-experienced or out-of-town manager has been the signal for a shift to the new institution. In many cases, the unwitting manager has welcomed the depositor, until requests for loans or exchange of information with other bankers have chilled his enthusiasm. Several labor banks have shown rapid growth in commercial deposits by virtue of becoming the catchall for the community's worst accounts. Experienced personnel in labor banks has been shown necessary for no reason more than to weed out or to refuse such business.

Less serious in each instance but costly in total has been the expense of small checking accounts. This problem has been by no means confined to labor institutions but in some instances the expense involved has been underestimated in a program of democratization of banking. Labor banks were, at first, quite liberal in setting minimum deposit requirements and service charges. As a result they placed a premium on small accounts and got more than their share. While new business was obtained, it did not carry its overhead and minimum balance requirements and service charges had to be introduced or raised as a measure of self-defense. In some cities, labor banks, more

affected by the cost of small accounts, took the lead in introducing or raising service charges. The results have been very favorable. No valuable goodwill has been lost and the small checking accounts remaining are a source of income rather than loss. Usually the most troublesome accounts have been eliminated. No objection has been raised by the labor groups interested in the banks, once the necessity and the good results of the change have been impressed upon them.

A similar tendency has been indicated in the increase, in some cases, of minimum commercial balances upon which interest will be paid. In the first flush of enthusiasm for rapid growth, some labor banks have offered interest for relatively small balances.

It has already been mentioned that the trade union affiliations of labor banks discouraged deposits by some business groups. Besides the unwillingness to advance any institution of organized labor, or doubt as to stability or favorable treatment, some business men feared that labor directors might use or disseminate information to the former's disadvantage. There have been some business concerns which have seen in these circumstances a chance of gain, instead. By placing a deposit with the labor institution, a building contractor, a supply or equipment manufacturer, or other employer or dealer, has hoped to receive some return in the goodwill disseminated.

In their quest for funds some labor banks have offered unusually favorable rates on deposits by governmental units. City, county, and state treasurers have not been unappreciative of the political advantages of the goodwill resulting from depositing in banks affiliated with labor. The Cleveland Engineers' bank started the precedent of disregarding the rate on government funds agreed upon by the local clearing house banks in bidding for such deposits.

The direct advantage to some labor banks of obtaining gov-

ernment deposits has been practically eliminated by the interest rates paid. Indirectly, some satisfaction and publicity has been gained by the jump in deposits and the announcement of the bank's selection as a depository. A disadvantage involved can be illustrated by the example of one large labor bank which was forced to show a marked decline in deposits following a reduction in a city deposit account. Changes in the political or fiscal situation may so affect depository business that at high rates it is hardly worth having. Growth dependent on political contacts cannot be considered permanent.

3. *Stability of deposits*

A question concerning the deposits of labor banks which is very important but difficult to answer is whether such deposits show greater or less stability than those of other banks in the same city. As influences possibly increasing the stability of the deposits of individual labor banks apart from normal rate of growth, there may be suggested the preponderance of time deposits, the absence of many large commercial accounts, and the loyalty toward labor banks felt by trade unionists. On the other hand several influences might be postulated as reducing deposit stability. These are a possible lack of diversification, a greater effect of strikes and unemployment on account of the proportion of labor deposits, and variations in support with any change in general opinion as to the significance or strength of labor institutions as a class, or their contribution to the labor movement. Since definitely measurable experience concerning the effects of such influences is very limited, it is necessary to rely largely on the opinions of the officers of labor banks and of other bankers in their communities.

In general the preponderance of time or savings deposits in labor banks has been an important factor in the stabilization of deposits and, indeed, in the survival of labor banks. Some labor

banks, however, like many other institutions, have oversold savings accounts to new savers by various novel devices. Paying interest to date of withdrawal is not likely to discourage casual reduction of savings by new and less thrifty savers. The absence of large commercial accounts, more or less the concomitant circumstance of many small savings deposits, has had its influence on deposit stability. But some ambitious labor banks have taken on a few large commercial accounts as an opening wedge into this type of business. The borrowing privileges expected in such cases have been exercised with the result of considrable fluctuations in deposits. The variability of government deposits, much sought after by some labor banks, has already been discussed.

Loyalty on the part of trade unionists for labor banks has shown itself a factor for stability in but few cases. Personal interests and requirements are too vital in the decisions of the rank and file to allow the interests of the bank which their union sponsors to affect their decisions in withdrawing deposits. The engineers, themselves, were the first to draw out deposits from the various Brotherhood banks when disclosures of the Brotherhood's financial difficulties were made in the 1927 convention, and did little to aid their Spokane banks when runs occurred in 1929. It could not be expected that the rank and file of diverse unions would act differently in the case of a local labor bank sponsored by many unions, should the bank look to them to aid in stabilizing deposits.

The factors postulated as decreasing deposit stability in labor banks must also be tested by experience. Diversification of labor bank deposits, fortunately or unfortunately, has been greater because of the limited support given labor banks in many cities by the members of sponsoring unions. The whole wage-earning and small-salaried portion of the community has been the reliance of most labor banks in building up savings

deposits. In the case of the headquarters banks of national unions, however, the large deposits of the union itself have cut down diversification. The Engineers have made much of the importance of Brotherhood funds as a source of profit for their Cleveland institution. Larger commercial accounts, as has been mentioned, have been limited in diversification in several instances on account of the newness of labor institutions.

The width of diversification of labor bank savings deposits is a partial answer to the proposition that strikes and unemployment will affect their stability more than the deposits in other local banks. The larger proportion of wage-earners among the depositors of labor banks has had some slight effect, much less, however, than might be expected. The seasonal lay-off of the building trade and clothing workers has affected deposits slightly in a few cities. General unemployment has been a factor in a small number. In one city a high degree of industrial specialization has had considerable influence, but other banks have been affected as well. In general, the effect of unemployment has thus far not been severe.

Strikes have affected individual deposits as a total in a few instances. There are, however, two or three cases where the deposits of national unions in affiliated banks have been sharply reduced by withdrawals for strike purposes.[1] The deposits of the United Mine Workers in the Indianapolis bank, of which Lewis has been president, were reduced by the prolonged strike of that organization. Most of the national unions interested in labor banks, however, have not engaged in extensive strikes in recent years. During the relatively short strikes in the New York clothing trades in 1924, neither the Amalgamated nor the International banks in that city suffered any marked volume

[1] An example of a similar but technically different situation is that of the New York International Union Bank which suffered from long delayed repayment of loans used for strike purposes made to the union controlling the bank.

of withdrawals by individual depositors. The small loan service of the former bank served as an alternative for some strikers who might otherwise have reduced their deposits. Both banks were experiencing marked growth during this period.

Broad experience as to the effect of strikes on labor bank deposits, however, is lacking. Especially in the case of banks sponsored by single national unions with large treasuries or large local memberships, the possibility of heavy withdrawals from the headquarters bank on account of an extended strike cannot be lightly discounted.

There remains the proposition that labor bank deposits may vary to an unusual extent on account of the variations in support resulting from changes in general opinion as to the significance or strength of labor institutions as a class, or their contribution to the labor movement. The changing attitudes of various groups toward labor banks have already been discussed.[1] Certain situations have arisen, however, which suggest that the deposits of labor banks are susceptible to certain short-run influences on account of the class character of the institutions, apart from the effects of the changes in support by labor groups alone.

No matter how justifiable or permanent one considers labor's entrance into finance to be, for most people it has been surrounded by an atmosphere of novelty. The rapid growth of the Cleveland Brotherhood bank interested and astonished beholders both inside and outside the labor movement. The repeated announcements of new labor banks elsewhere prepared the way for marked interest in the local labor bank where one was started. There has been a considerable group of small savers in no way connected with the labor movement who were attracted by the novelty of having their accounts in a labor bank,

[1] *See* Chapter VI.

quite apart from favorable rates or prospective profit sharing. The public backs the man fighting against odds, as long as its own interests are not at stake. As long as labor banking was considered a new and significant development, a challenge to "capitalistic" banking and a contribution to the labor movement, the support of this segment of the public was easily secured. But as years passed and the failures of the Producers and Consumers and the Pittsburgh labor banks occurred, some reaction took place. Newspapers were quick to sense the news value of the Pittsburgh failure and broadcasted it over the country. Finally, the disclosure in 1927 of the Engineers' financial difficulties had a depressing influence on public interest. The opponents of labor banking made much of these troubles. Among the timid and those attracted by novelty and class feeling, uncertainty arose. The labor banks in which they had deposited their savings may not have been influenced in any way nor their real strength disputed. These depositors, however, were put "on edge" and this condition became a factor in the stability of the deposits of some labor banks.

There are several positive indications of this factor in deposit stability. Between the end of June, and October, 1927, while the extent of the Engineers' difficulties was slowly becoming known to the public, the total deposits of the ten continuing Engineers' banks throughout the country dropped from $38,723,622 to $31,786,071. Six millions of the decline took place in the Cleveland bank alone, but every Engineers' bank felt the influence of the change in attitude through a reduction in deposits. In Spokane, one of the strongest Engineers' banks, which had always been controlled locally, was forced to liquidate during a severe banking crisis in that city in January, 1929. The financial position of the bank could be considered normal, but since 1927 an undercurrent of uncertainty had been sensed by bankers concerned with the deposit stability of the in-

stitution. The San Francisco Engineers' bank, also, had its anxious moments, but with no serious results. An effect of this reaction, even outside the Engineers' group has been the swing away from the use of *Brotherhood* in the titles of labor banks. While labor banks in no way connected with the Engineers' financial scheme have felt far less the influence of the incidents already mentioned, novelty and class character on one hand, and popular mental association with less fortunate labor financial enterprises on the other, will remain negligible factors in deposit stability until the steady progress of surviving institutions will have built up an entirely new psychological "set" in the minds of prospective depositors.

4. *Facilities and services provided depositors*

There remain certain facilities and services, more or less related to the acquisition of deposits, which have involved new policies or problems in labor bank administration. They include hours of business, investment advice and service to customers, and foreign remittances.[1]

Practically all labor banks have extended their business hours beyond the minimum prevalent in their community. On the whole, disregarding the personnel problem already discussed, the results of this extension have been favorable. As a concession to the needs of working people, the step has been both appropriate and a source of goodwill. Some banks have found Saturday afternoon hours especially profitable in attracting new accounts. Extra hours on pay days of important employers have afforded workers the opportunity of cashing checks and depositing savings immediately. Where no other concession can be offered, convenient hours have proved effective in securing business without much increase in overhead.

There has been, however, some tendency to reduce evening

[1] *See* Chapter V for description of these services.

and Saturday hours in several banks where after trial such hours have been found to be unprofitable. Requests by tradesmen and working people that checks on unknown persons doing business in other banks be cashed over the counter have been a source of danger in some instances. There seems reason to believe that such requests can be refused without causing much illwill and that, on the whole, clerical expense and overhead are the most important concerns. Opposition through the local clearing house, or similar extension of hours on the part of competing banks, has occurred frequently. In this phase of competition, the smaller size of many labor banks has been an advantage since the staff required to operate the bank extra hours has been less than that needed by larger institutions.

Investment advice and arrangements for purchasing securities have been afforded customers by a majority of labor banks. Facilities have varied from elaborate bond departments with many officers and salesmen, such as that of the Engineers' Cleveland bank, to occasional advice by the cashier to some more prosperous customer. One of Stone's greatest ambitions was to develop and extend labor's influence over railroad and other corporations through the purchase of securities. The Engineers' banks became the retail agencies of a nation-wide scheme of securities companies and bond houses. In addition to the regional securities companies subsidiary to the Brotherhood Investment Company at Cleveland, the New York Empire Company acted as wholesale distributor for the eastern Engineers' banks. The Pacific Empire Company acted as distributor on the West Coast. These companies handled issues emanating from the Engineers' own enterprises as well as other listed and unlisted securities.

The unfortunate conditions arising in the Engineers' financial system permeated their scheme of handling securities for small investors during the peak years of their system. While

Stone's proposition that the small saver should invest in bonds after an amount such as five hundred dollars had been accumulated has many arguments in its favor, the character of the securities sold and the method of distribution used are subject to criticism on many points. First of all, there were too many turnovers and too much taken out in commissions before the securities reached the final customer. More or less speculative securities, such as real estate leasehold bonds and those of the unfortunate Park Lane Villa development, as well as higher yield listed securities, found their way through the Engineers' mill. High pressure salesmanship, split commissions, and lack of regard for the investor's true interests further made a system which might have been a great service into a doubtful money-making device. The pages of the *Locomotive Engineers' Journal* were used for advertisements and investment advice. Circulars were broadcast not only to members of the Brotherhood, but to other railroad workers as well. Installment selling greatly increased sales. Not only individuals but subsidiary and other labor banks, as well, were pressed to buy securities.

The ambitious plans of the higher officers of the Engineers' securities organizations met with opposition even from officers of their own banks. One courageous banker advised a customer openly against purchasing a security offered by a high-pressure salesman. The headquarters group in Cleveland made a weak attempt to put down this "disloyalty" but did not have sufficient courage or conviction to act vigorously. In general, the local bankers took their orders from headquarters and in buying for their own account attempted to select the best, subject of course, to the commissions or profits already involved in the prices they were required to pay.

There has been considerable imitation of the Engineers' program of selling bonds to workers on the part of a few of the larger labor banks sponsored by national unions. Installment

selling of bonds has been developed by two of these institutions without the elaborate machinery or the high-pressure methods of the Engineers' central organization. In the Middle West several locally sponsored labor banks have recommended and sold real estate first mortgages to small investors, a type of security well fitted to their needs if properly safeguarded. The Chicago Amalgamated bank has developed a good business of this character. The New York Amalgamated bank, with quite different local conditions, has promoted instead a cooperative investment trust which affords its customers a conservative but profitable method of investment. The bond department of this bank makes a practice of buying securities for customers on order only, and is unwilling, as a matter of policy, to give investment advice.

There seems to be no objection to the sale of investment securities by labor banks if the type of security and method of recommendation and sale are as conservative as those just described. Small investors are greatly in need of advice and assistance by bankers who are able to obtain their confidence through friendly contact and who respect that confidence as highly as if thousands rather than hundreds were involved. The labor bank should be well fitted for such friendly service if proper selection of personnel and cautious, intelligent investment counsel are emphasized. The New York Federation Bank has been of much service to the local labor movement in warning prospective purchasers against doubtful investments. Trade unions as well as members need such protection. The former grand manner and doubtful policy of the Engineers' system must be lived down by conservative labor banks seeking to mobilize or, far more important, protect, workers' savings through the sale of high grade investment securities.

A corollary of the securities business developed by many labor banks has been the provision of safe deposit boxes at

moderate rates. While there has probably been some over-investment in equipment of this sort, through educational advertising and direct salesmanship a new demand has been developed. Labor banks have been of service in breaking down habits of hoarding, careless handling of valuable papers, or disregard for wills, through providing a safe place for securities and papers.

Although somewhat afield in a discussion of policies and problems concerning deposits, a word may be said here in regard to the trust company services offered by some labor banks to their customers. In most instances such services are still in embryonic form, but several labor bankers are of the opinion that there is a promising and profitable field in the extension of the facilities now available for the well-to-do to the small-salaried and wage-earning classes. The greatest handicap to such a development is the proportionately large fees necessary to take care of overhead once additional personnel is required to handle trust services. Unless side lines, such as bonds, real estate, or insurance, help to compensate officers so engaged, it is doubtful whether a sufficiently capable officer can be secured except in the largest labor banks. There is no question, however, that sound advice and trust company service in regard to estates, trusts, and similar financial matters are increasingly needed by more prosperous wage earners in this country. Labor banks with trust company powers have more reason to satisfy this new need than to compete with older and far larger institutions in acting as registrar of bonds or serving large corporations in other capacities.

A good number of labor banks have gone much farther than other institutions in advising customers as to business and legal matters of a more routine nature. There is much to be said in favor of friendly advice of this sort both as a service to individuals of limited means and experience, and as a factor in developing goodwill. The limitations upon such a service

are those of the qualifications and time of personnel. One labor banker, at least, has held that it is better for labor banks to employ a sufficient number of officers qualified to advise customers to an unusual extent than to pay high rates of interest or cooperative dividends. Such advice can be given on request whether or not trust company services are offered.

Another supplemental service offered by labor banks is that of handling foreign remittances. The great part this feature has played in the growth and influence of the New York and Chicago Amalgamated banks has already been discussed.[1] These banks developed a very efficient transmission service in a time when it was greatly needed by a large number of the members of the union sponsoring the banks and others throughout the country with relatives in Eastern Europe. They obtained sufficient income from this service to aid greatly in meeting the overhead expenses of the banks in their early years. Much publicity and goodwill have resulted. Other banks have developed remittance services to Russia since the Amalgamated banks began this business so that the latter no longer have the advantage of offering a unique feature. Except for the International Union Bank in New York, whose customers likewise needed remittance services, and the Cleveland Engineers' bank, other labor banks have done but little foreign exchange business.

[1] *See* Chapter V, pp. 115-16.

CHAPTER EIGHT

# *POLICIES AND PROBLEMS (CONTINUED)*

## A. LOANS

TWO purposes of labor banking, to serve the wage earner and to advance the trade union movement, have influenced the loan policies of these institutions. The development of the small loan and especially the small, unsecured or "character" loan was the outcome of the first purpose. The attempt to favor fair employers in loans and investments resulted from the second. The experience of labor banks in developing both of these projects is of much significance in weighing the contribution of the labor banking movement.

### 1. *Small loans*

The widely varying extent of specialization in small loans by labor banks and the different methods used, have already been discussed.[1] The general policy itself and the problems resulting from it are here concerned. Banking policy and social policy merge in this endeavor of labor banks and can hardly be separated.

As banking policy the small loan and especially the character loan has been considered by most labor banks a source of goodwill. It has been expected or hoped that wage earners or small-salaried workers who received aid in this way would later become savings depositors. General goodwill in the community would result from the bank's fair treatment of persons in difficulty so that the bank would become peculiarly the worker's bank. While many labor bankers and especially labor bank directors went into the business without realizing the expense

[1] *See* Chapter V, pp. 104*ff*.

involved, there were few probably who looked upon it as an important source of income. Goodwill, so far as banking was concerned, was to be the principal asset secured.

Certain technical advantages of labor banks in entering the character loan business were advanced to show why they could safely make what in the early years of the movement was a radical departure from banking practice as existing in larger cities. Through the officers of local trade unions or divisions, accurate credit information could be obtained, it was thought. A man's shopmates could advise the bank of his regularity and integrity. The labor officers and directors of the bank would be better able to judge the applicant than a person less familiar with the local wage-earning group.

In a large majority of cases, however, the expectations of the proponents of character loans have not been fulfilled. Goodwill has been secured by lending banks but by no means to the extent prophesied. Both the banks and the borrowers have been at fault. Loans have been made in many cases where the probable ability to repay was too doubtful. A multiplicity of endorsers or cosigners has been allowed to substitute for a single good name. When the bank has been forced to dun the borrower or call upon cosigners or endorsers for repayment, all concerned have become irritated. The natural rationalization of the situation by the distressed or recalcitrant borrower or endorser has led him to circulate opinions of the bank which have done much toward neutralizing the favorable opinions passed on by satisfied customers. Experience has shown that many small borrowers do not become steady savers and that their lack of preparation for one contingency may be followed by the same lack on other occasions.[1]

[1] The conclusions here stated are, of course, based on the experience of a majority of labor banks and do not preclude quite opposite results where better plans and more experienced personnel have been developed in labor and other institutions. (*See* the experience of the Amalgamated banks, pp. 105-6.) Many

The losses taken by banks on such loans has varied widely according to the personnel of the bank. The termination of at least two banks as labor institutions was brought about in part by excessive losses on small personal loans. In most cases, however, the total losses on small loans has not been large, but the increased overhead caused by much dunning, lawyers' commissions, and the time of officers lost in unprofitable interviews would probably exceed the actual losses finally charged.

An important aid in reducing bad risks in some cities has been the ratings secured through local credit associations. The information needed by a bank in making a small loan is very much like that of a dealer selling on time payments. Such information, where available, has generally proven to be much more reliable than the estimates of labor directors. Personal regard, incautious optimism, and overconfidence have often influenced the decisions of the labor representatives on a board. Where losses have occurred, however, greater caution has resulted.

To have consistently accurate judgment on small loan risks it has been found best to make a single officer responsible for all small loans, especially if a man of wide acquaintance but of cautious temperament can be found. This officer, experience has shown, will soon learn the poor risks of the community in which the bank is situated and while friendly with all customers will not be influenced by long acquaintance or hard luck stories in the way partially responsible directors are prone to be. This single officer has to aid him the credit rating books, the advice of directors, and of union officers and members when the

labor banks have handled small loans in the informal manner often usual in the smaller cities and towns in which they are located. In many parts of the country, labor banks have merely emphasized a type of loan made by many of their competitors and have met with the difficulties discussed more through inexperience and lack of caution than through any inherent fallacy in this form of lending.

applicant is known to them. While this advice is available, as a full time banker responsible for the bank's profit and loss on small loans, the officer is shielded as far as possible from the pressure of union politics in deciding upon the merits of applicants for loans. The need for such protection is shown by the experience of one labor bank in particular in which disappointed applicants for loans carried their cases into union meetings and secured advocates among the directors representing their craft to fight their claims for loans in the manner of ward politicians seeking appropriations.

The marked success of the two Amalgamated banks in character loan business has been due in large measure to such concentration of responsibility and to the community nature of its loan business. The wide local acquaintance of the officers in charge of small loans and the close check-up they have been able to make through union headquarters and shop organizations have helped greatly to reduce losses. A considerable proportion of overhead expense has been saved, also, through the frequent refusal of applications without investigation where the lending officer has not been impressed by the statement of facts, the attitude, or the ability of the applicant. The advantage of the labor bank over the industrial loan company on a business basis lies largely in the possibility of the facilities and savings just mentioned.

The social purpose underlying the development of the character loan by labor banks merges with the banking purpose of securing goodwill. It is, however, of a more fundamental nature. Whether the typical necessitous borrower is a potential depositor or not, and no matter if some ill will is occasionally generated by unpunctual debtors, any attempt to save the borrower from the clutches of the loan shark is highly commendable if the funds of others are not endangered. A bank inaugurated with a declared purpose of cooperation can well afford

to carry a limited amount of character loan business on a non-profit making basis. The difficulty has been to determine whether the probable and actual losses and overhead expense have been met by the income from this business, and to confine it to safe limits. Like the Arab's camel in the fable, a small loan business, once encouraged by lax terms or supervision, crowds out the regular and profitable lines upon which a labor bank must depend for survival. Close limitation by predetermined revolving funds or by resolution of directors is a possible means of preventing disproportionate diversion of funds into small unsecured loans.

In the last analysis, it must be reiterated, safety in character loan business depends largely on the ability of the lending officer. In the half dozen labor banks which have been successful in this phase of operation, the officer in charge has shown strongly that unusual quality of friendly caution which is so fundamental to a banker's character.

Labor banks, and most especially the Amalgamated banks, have made an important contribution in pioneering this new field in city banking. Through their interest in democratic banking and their example, they have been instrumental in arousing old-line bankers to the need of fighting the loan shark in his own territory.

One advantage which the labor bank finds in the small loan has not been mentioned. In time of strike such loans provide a buffer against withdrawals of savings deposits. As long as savings deposits remain to the individual's credit, the loan is safe. There exists a moral compulsion to repay the loan on return to work which does not operate as effectively in restoring savings deposits. Small loans to strikers or persons otherwise unemployed who do not have savings deposits as security cannot be justified except, perhaps, in the case of unforeseen

contingencies arising during seasonal lay-offs of employees certain of reemployment.

A somewhat similar practice which can hardly be condoned is that of making "strategic" loans to union members on the endorsement of union business agents or officers. The principles of sound banking are too easily overlooked in such loans and a dangerous precedent is created, even if the endorser is quite able to make repayment. If goodwill for the union is the purpose sought, it is the union and not the bank which should make the loan.

While all that has been said has been particularly concerned with the small, unsecured, or character loan, much is relevant to a consideration of small secured loans. While overhead expenses, goodwill, and the need for able personnel are equally involved, secured loans, of course, carry a much greater element of safety. Labor banks have gone out of their way to help individuals find some security which they can offer. Veterans' bonus certificates, insurance policies, and many other instruments of value have been accepted. An early proposal to accept union cards has been discountenanced. One labor bank, however, became seriously involved in a pawn shop business of accepting railroad watches and jewelry as security. Character and ability to repay, as tests in lending, cannot be lightly set aside by acceptance of such articles.

2. *Commercial loans*

The attempt to favor fair employers in commercial lending, the second policy peculiar to labor banks, has had an interesting but fitful history. The strict requirements of conservative banking and the need to maintain good relations with the large number of business enterprises not dealing with organized labor have reduced the opportunities for favoring fair employers to a very small number. The early incident in which

the Machinists' bank in Washington took part received such wide notice that the power of a labor bank to aid organized labor became exaggerated in the minds of those sponsoring labor banks. The Spokane incident, already mentioned, discouraged the Engineers from further experiments of this nature. Other banks have had more successful experiences but they have been very sporadic in occurrence.

The Amalgamated Clothing Workers, however, have used their banks with considerable success in aiding several clothing manufacturers suffering temporary financial stress. In order to keep these fair employers in business so that the union's members would have work, the Amalgamated banks have made loans to them on union endorsement. In effect, these loans have been made to the union, which through its staff of experts has been able to determine the true financial and industrial status of the borrowers. The financial stability of the union; its unusual development of a technical advisory staff; the close contacts of employers and the union through shop organization, impartial chairman machinery, and unemployment insurance; and finally the close supervision and control of the bank by a strong union administration have permitted and encouraged stategic lending by the Amalgamated banks in a unique and unprecedented manner. It is difficult to discern any probability that other labor banks will find opportunities equally safe and promising.

Careful investigation has shown that, except in the case of the Amalgamated banks and a very few other instances to which reference has already been made, the policy of labor banks to favor fair employers has been a theory rather than a fact. It is true, however, as labor bankers have often said, that there is no way of determining how much discrimination against fair employers by partisan bankers has been prevented by the existence of a labor bank in a community. The interfer-

ence of bankers in the determination of the labor policy of borrowers was a far more frequent occurrence during the post-War open shop campaign. Since then, reports of its frequency have probably been exaggerated. No argument for the support of a labor bank by the rank and file of labor is more effective than that based on discrimination against fair employers by banks whose deposits come from trade union members. It is not too much to suggest that in smaller cities where labor bank competition for deposits is effective, old-line bankers have given due regard to this fact, at least to make less apparent any influence they may see fit to exert on the policy of borrowers employing union labor.

A quite obvious but often disregarded reason why labor banks have not exercised any wide positive influence on union organization or collective bargaining is that openly hostile employers in strongly organized industries have not sought loans from labor banks. On the other hand labor bankers anxious to develop a profitable loan business have found it necessary to consider the requests of employers in unorganized or partially organized industries without reference to labor policies. The competition for good commercial accounts is too keen in most cities for a new bank to set up obstacles for itself. Labor directors, especially when their own trade is not concerned, have generally looked to the bank's interest in such matters and have left the decision to the active banker for his determination on a business basis. Extensive investigation has shown that this has come to be the accepted standard among experienced labor bankers, although for obvious reasons it has not been broadcast. A good number of labor institutions avoid the seeming compromise of necessity and principle in part by limiting their commercial lending business to a smaller proportion of total loans and investments than is usual in competing banks.

A policy in lending which was early announced by the lead-

ers of the labor banking movement was that loans would be extended for productive use only. Not only is it difficult to trace the experience of labor bankers in following this policy but bank officers themselves face extreme difficulty in determining the productive or nonproductive nature of the borrower's use of loans should they see fit to investigate. Stone and McCaleb made much of the Cleveland bank's loans to the North Dakota farmer groups and of refusals to lend to rent profiteers and other speculators. But experience has shown that many other loans were made by that institution to borrowers whose businesses were not only unproductive but unprofitable, an experience by no means unique in American banking. There is much reason to believe that practical labor bankers in their quest for profitable and safe uses for their funds have not gone far in the attempt to confine loans to those for strictly productive purposes. Not all labor banks were coldly aloof to the possibilities of profit in lending on call during the activity of the New York Stock Exchange in 1928 and 1929.

Loans to cooperatives were early suggested as a productive use of labor bank funds. The development of such loans by the Amalgamated banks has already been mentioned.[1] In general, however, cooperative enterprises have been both few and short-lived in this country compared to the striking progress made in European countries. On the whole, very little has been done by labor banks except the Amalgamated institutions to help finance cooperatives, nor has the experience of the banks which have experimented with such loans been favorable. Divided responsibility, loose methods, inertia, and individual self-interest have been the obstacles in the way of developing cooperative financing of working-class enterprises which labor banks could properly assist. The strength of the Amalgamated enterprises

[1] *See* Chapter V, pp. 111-13. It is important to note that these banks lend only to the cooperatives sponsored by the union.

has been the strength of the union administration and the solidarity of the rank and file.

Apart from the policies already discussed, which early became announced principles of labor banking, the loan policies of labor banks have little to differentiate them from those of other banks. The wisdom and caution exercised in applying loan policies have varied widely with the personnel of individual banks. As new banks, too frequently with inexperienced directors and ill-chosen executives, many labor institutions suffered following their inauguration from a deluge of the community's worst accounts. The avoidance of danger or disaster from such a deluge has been the task of the bankers employed. Most new banks have faced this problem, however, and the solution is one of personnel.[1]

### B. INVESTMENTS

In the early days of labor banking, the opinion was repeatedly expressed that labor banks should and would place their funds predominantly in securities rather than in commercial or other individual loans. Writers who have looked to the Engineers' banks for experience have found what seemed to be proof that this policy has been followed. Taking the labor bank group as a whole, however, the supposition is becoming less true as time goes on. At the end of 1926 the total loans for all labor banks constituted fifty-five per cent of that for loans and investments. By the end of 1928, the amount of loans had risen slightly to approximately fifty-seven per cent of the total, and with the discontinuance of several Pacific Coast Engineers' banks since that time the proportion of loans to investments in continuing banks has been considerably increased.

The labor bank in many cities has gradually developed into a community institution. Looked upon at first as an outlander

[1] *See* Chapter IX.

by bankers, business men, and others dealing with banks, friendly contacts, conservative policy, and favorable terms have done much to change this attitude. Borrowers on collateral, lines of credit, and real estate mortgages have increased while the necessity for investment in securities has decreased. A majority of the more successful labor banks receive their funds predominately from savings accounts and place most of them in loans of various sorts. But a majority of the Engineers' banks have stood apart and have been differentiated from other labor banks as much in this regard as in any other. While in Boston, New York, Philadelphia, and Birmingham, both commercial deposits and loans have predominated, the Western banks of the chain have shown a decided excess of investments over loans.[1] The reasons for this marked contrast are not accidental but are concerned with the Engineers' whole scheme.

In most cities the Engineers' ventures were from the start peculiarly those of outsiders. Control, final determination of policies, and selection of official personnel were usually vested in officials at Cleveland or their appointees in the regional securities companies. Local engineers, by virtue of their calling, were little acquainted in business or even trade union circles except in smaller cities and towns, so that their election to official positions in the bank usually did little to make the banks community institutions. While it was later realized that local contacts were necessary, these have never been developed to the extent done in locally sponsored banks. The rapid turnover of officers and transfers of personnel from bank to bank have

[1] In Boston and Philadelphia, the Engineers were fortunate in obtaining the services of bank executives known in those communities. In Birmingham it was also true that a strong sentiment prevailed against out-of-town investment. The Cleveland bank has shown a more even balance of loans and investments, probably on account of the attention it has received among local business men as the corner stone of the Engineers' financial enterprises.

further decreased the opportunity for friendly relations with customers.

Borrowers were quick to sense the aloofness which existed in many Engineers' banks. Dictation of policy from above and arbitrary changes in policy discouraged business men from relying on these institutions for credit. The domineering attitude of Stone, the Cleveland clearing house fight, and the Spokane incident had more lasting influence than one might suspect. Depositors, especially small savers, were somewhat less influenced, since to them personal relations were not so important. The natural reaction of the officers of Engineers' institutions was to center their interest on investments. The need for greater mobility of funds in the face of the unfriendly attitude of local banking competitors encouraged reliance on securities. The absence of many commercial borrowers of high credit standing further encouraged emphasis on investments as banking policy.

Of equal importance in directing the funds of Engineers' banks into securities rather than loans, was the huge financial scheme of which the banks were but a part. Soon after the Cleveland bank was started, Stone and his aides became absorbed in the possibilities of power and profit through the development of securities companies and a country-wide system of securities distribution. The large interest purchased in the New York Empire Trust Company, and the organization of the New York Empire Company gave the system a nerve center in Wall Street and a purchasing agency for securities floated there. Cleveland real estate and the Engineers' own ventures in a great number of financial, real estate, and industrial developments throughout the country provided a large supply of bonds and stocks. Not only were these issues retailed by salesmen sent out by securities companies and banks, but the banks themselves were encouraged or required to purchase

considerable amounts for their own account. The profits accruing to the distributing companies and salesmen proved a powerful stimulus to high pressure methods from which the banks were not exempt. Underlying this system was an ambition of Stone that through investment control the Brotherhood would better the position of its members. This purpose seems to have disappeared as the urge of profits and the thrill of big business got the better of the headquarters officials and staff.

The individual banks and their responsible executives did not accept this situation without objection, however. The quality and value of the securities thrust upon them were sometimes doubtful if not alarming. Complaints by bank managers were usually silenced by orders from above, and tenure of office was not sufficiently secure to allow an individual to buck the system. The exceptions which took place offer some of the most interesting incidents in the history of labor banking.

Soon after the Engineers purchased control of the Hammond bank, the officers of the Cleveland institution sought to sell the newcomer a block of real estate bonds. Marko, the Hammond cashier, refused to purchase the securities until the executive officer of the Cleveland bank wrote a letter guaranteeing the purchasing bank against loss. The hesitancy of the Hammond cashier was later justified by the fact that some of the bonds defaulted to the extent of about $35,000. But in 1926, after the Engineers had resold their stock in the bank, Marko demanded restitution of the purchase price of the bonds on the basis of the forgotten guarantee. Much chagrined, the Cleveland officials finally paid both principal and interest since at that time a lawsuit would have caused publicity which they could ill afford.

Marko had proved a thorn in the side of the Engineers on another occasion when he had refused to recommend doubtful securities to local purchasers. The Cleveland group were afraid

to press censure upon this courageous banker when their own position was far from strong. Attempts to attract Marko away from his bank to a lucrative position in Cleveland failed and there was probably some relief at headquarters when the Hammond bank was sold back to local investors.

Several bankers turned on the Engineers in 1925 and thereafter when some of the securities peddled by the Cleveland group began to go "sour." Until the summer of 1927 the need of keeping up appearances rendered the latter subject to pressure. But the trail of poor securities ran through the system wherever neither bank examiners nor local officers were able to prevent the unloading of such investments on the banks. When the San Francisco bank was sold early in 1929, for example, a large block of Florida hotel bonds had to be assumed by the purchasing group to satisfy the examiners as to the liquidity of assets. The strong centralization of authority evolved by the Brotherhood as a labor organization and a financial system ran counter to the local responsibility necessarily required in sound banking. Other banks probably worked out with more or less loss, whatever frozen securities were purchased in earlier years.

Two banks outside the Engineers' chain have strongly favored investments over loans in placing their funds. The Telegraphers' bank in St. Louis was forced to adopt this policy soon after opening on account of the rapid increase in savings accounts before a commercial lending business could be developed. While the latter has gradually increased, the bank has still much of the nature of a savings institution. The members of the sponsoring organization scattered throughout the country seem to be thrifty savers and loyal to the headquarters bank. The close control over the bank maintained by the headquarters staff renders it more a national savings institution than a community commercial bank. Relatively little has been done to tie up the bank with the business life of the city in

which it is located. While less profitable and spectacular, this policy offers the advantage of safety and stability as long as sound diversification of investments is practiced.

The Jersey City labor bank has also shown a predominance of investments among its assets. This bank is the youngest labor bank now continuing and, like most of the Engineers' institutions, came into existence as an adjunct of a securities holding company. Something of the same emphasis on the sponsoring group's own financial program over against participation in local business activity which appeared in the Engineers' system seems to exist in this smaller enterprise.

The policy of collecting local savings for out-of-town investment proved susceptible to criticism in newer communities where labor banks were initiated. Cass, the head of the Engineers' Pacific Coast regional securities company, at one time felt called upon to refute this criticism. His reasoning was not altogether convincing, however. The proceeds of a local loan may be spent in Chicago or New York, he said. On the other hand, proceeds of a bond issued in those cities may be spent largely to buy lumber from Washington or Oregon, copper from Montana, or petroleum from California. He did not discuss the effect on the employment of labor of the location of the equipment acquired. Local lending, he stated, however, would become more extensive as the banks developed.[1]

The policies of the labor banks in Southern cities have been influenced by the disfavor existing in the South toward out-of-town investment. This disfavor was sufficiently strong, in some cities, it is said, to cause deposits to suffer if funds were known to be invested elsewhere. The labor banks were neither anxious nor able to oppose this sentiment.

Apart from the Engineers' system it is difficult to discuss the

[1] *Getting Ahead*, August, 1925, p. 9.

investment policies of labor banks as a group. The wide variation in the knowledge, character, and experience possessed by labor bank officers has caused an equally wide variation in the soundness of investment policies. At the one extreme, the New York Amalgamated Bank, with its reliance on an expert investment counselor and a trained specialist, can be favorably compared with the most conservatively managed New York banks. On the other, the experience of the Pittsburgh bank in attempting to buy Liberty Bonds from an unknown salesman at an unprecedented discount has become an anecdote all too well circulated by the critics of labor banking. The discussion of labor bank personnel has already suggested the reasons why heavy losses have occurred. In the early years of the movement, especially, frozen investments appeared in many labor bank portfolios. But most of the banks holding them have learned by experience or have disappeared from the labor banking movement. The survival of the fittest has held true in large measure in the keenly competitive business of banking.

One pitfall in investment practice which labor banks seemed peculiarly prone to run afoul, however, appears as the records of banks are studied. While the occasional occurrence of inexperience, poor judgment, or the desire for large profits is not limited to labor bankers, the lack of close supervision by cautious directors left the way open for the persuasive bond salesman in several instances. Real estate bonds of a too speculative quality proved tempting securities. The Engineers' Cleveland bank took especially long chances in handling bonds on buildings on leasehold properties in Cleveland. The wide fluctuations in the demand for office space and apartments in various parts of the city caused such securities to decline violently in value at times when the prior rental charges absorbed a large part or all of the income from tenants. One bank outside the Engineers' chain suffered a serious set-back when its cashier secretly

took over a large block of real estate bonds in a manner and to an amount not permitted by law. When the situation was discovered, the cashier was discharged and the bonds, which proved later to be of good quality, were assumed by the group sponsoring the bank. The appeal of securities arising from real estate development and construction, especially when some imposing building could be pictured to show the results of expenditures, was strong to boards of directors more accustomed to dealing with tangibles than with equities, fixed charges, and prospective demands. The bargain prices offered did not make some labor bank officers sufficiently anxious as to the risk involved. High yields were peculiarly tempting to new banks whose stockholders expected early dividends.[1]

### C. CAPITALIZATION

The authorized capitalization of labor banks has varied from $30,000 to $1,100,000. While the minimums required by state and national bank acts for cities of certain populations have constituted a lower limit on capital, many labor banks have exceeded the minimums set. Original paid-in surplus or surplus at the beginning of labor control has varied from nothing to over one hundred per cent, as in the case of the Hawkins County Bank at the time its control passed to the Pressmen. The following tabulation indicates the distribution of labor banks at initiation according to authorized capital and surplus.[2] For comparison, the distribution as existing June 30, 1929, is also shown.

As the tabulation indicates, there has been a shifting upward in the capital and surplus of continuing banks as a group.

[1] Construction loans have likewise had their dangers for labor banks.

[2] The amount used for capital is that shown on each bank's statement after stockholders' installments have been paid. The same holds true for paid-in surplus except that the nominal figure is taken in a few cases although some impairment existed from the first. Where existing banks have become labor banks, the capital and surplus at time of transfer have been used.

| CAPITAL AND SURPLUS | AT INITIATION | JUNE 30, 1929 |
|---|---|---|
| Under $50,000 | 2 | 1 |
| $50,000-$99,000 | 5 | 1 |
| 100,000-199,000 | 7 | 5 |
| 200,000-299,000 | 10 | 4 |
| 300,000-399,000 | 5 | 2 |
| 400,000-499,000 | 0 | 1 |
| 500,000-749,000 | 6 | 5 |
| 750,000-999,000 | 2 | 0 |
| 1,000,000 and over | 1 | 3 |
| | 38[1] | 22 |

Eleven banks have increased their authorized capital during their existence as labor institutions while one has shown a decrease. Changes in subscribed surplus have varied widely from an increase of five hundred thousand in the case of the New York Federation Bank to an entire elimination of the surplus of certain discontinued banks.

The turnover rate of labor banks according to capitalization shows a marked survival of banks of medium size:

| CAPITAL AND SURPLUS AT INITIATION | NO. INITIATED | NO. OF THESE BANKS CONTINUING | PER CENT CONTINUING |
|---|---|---|---|
| Under $200,000 | 14 | 6 | 43 |
| $200,000-$499,000 | 15 | 12 | 80 |
| $500,000 and over | 9 | 4 | 44 |
| | 38 | 22 | |

The upward shift in capital and surplus of continuing banks has offset the higher rate of termination of banks originally capitalized at larger amounts. Three of the five larger banks which have ceased to be labor institutions were Engineers' banks established in larger cities at a time when the Brotherhood system was booming.[2] Among the smaller banks discontinued were several whose limited capital proved an additional handicap in survival.

[1] The Philadelphia Amalgamated Bank is not included.

[2] The Birmingham Engineers' bank is not included since the capitalization of the original bank has been taken. If the capitalization of the bank as reorganized in 1925 is considered, then of ten large banks, six have terminated, of which four were Engineers' banks.

Thus experience has shown that the labor bank of medium capitalization, usually from two hundred to three hundred and fifty thousand at initiation, in cities of fifty thousand population and over has generally been best adapted to make a permanent place for itself as a labor institution. With success, capitalization has been easily increased. But where labor support has not been forthcoming, the bank with five hundred thousand or more capitalization has found itself too small to compete with large old-line banks with their many affiliations among employer groups, and at the same time unable to meet easily the competition of small savings banks with limited overhead. The impressive capitalizations set up by the Engineers before support had been tested are other indications of the reckless leadership shown by Stone and his aides. The Cleveland experience proved a false indication of what could be expected elsewhere.

In striking contrast to that of the Engineers is the policy followed by the New York Amalgamated bank. This bank raised its capital three times from $200,000 in 1923, to the present figure of $650,000. Its surplus has been increased gradually from the original amount of $100,000 to $350,000. Capitalization has thus been kept more or less in adjustment with deposits since the first year of business.

There is no good objective test of overcapitalization or undercapitalization of particular labor banks relative to the competitive situation in the local banking community. Conditions as to management and relations with the public have varied so widely that it is incorrect to ascribe success or lack of it more than in small part to proper or improper capitalization. But the ratio of capitalization, including undivided profits, to total deposits affords a fair basis for determining whether, as a group, labor banks approached the normally desirable ratio of one to ten, or ten per cent. The following tabu-

lation indicates the distribution of labor banks according to this ratio in December, 1926, and two years later, when the newest bank had had that period in which to bring down its ratio.

| RATIO OF CAPITALIZATION / DEPOSITS IN PER CENT. | DEC. 31, 1926 | DEC. 31, 1928 |
| --- | --- | --- |
| Under 8.0 | 5 | 1 |
| 8.0 to 12.9 | 12 | 15 |
| 13.0 to 19.9 | 8 | 8 |
| 20.0 to 29.9 | 3 | 0 |
| 30.0 and over | 7 | 3 |
| | 35 | 27 |

The five banks shown to be undercapitalized relative to deposits in 1926 were all banks which had had a marked growth. Four have increased their capitalization since 1926 while one, the Cleveland Engineers' bank, sustained a marked reduction in deposits in 1927 although its capital account changed but little. The Clerks' bank in Cincinnati showed relative undercapitalization both in 1926 and 1928. A reason for this is that the Brotherhood desired to keep control of the bank but only in 1929 saw fit to put in the additional capital needed. The capital already invested in the bank's stock yielded no dividend until 1928 when the stock was put on a four per cent dividend basis. The Brotherhood holds but a bare majority of the stock and was required to purchase a half of the additional stock then authorized to maintain control.

Of the ten banks shown to be overcapitalized relative to deposits in 1926, five have ceased to be labor banks. The deposits of these five banks never increased sufficiently to warrant their capitalization. Four were Engineers' banks. Of the remaining five, one, the Indianapolis bank, reduced its capital by one-half in 1927 and increased its surplus by a part of that amount. Another is still overcapitalized because of a marked increase in capitalization in 1928. The remaining three have been able to build up deposits sufficiently to attain a more

normal ratio to capitalization. The median ratio of deposits to capital, surplus, and undivided profits for all labor banks has fallen considerably since 1926.

Slow growth of deposits and of means for using funds with sufficient profits to meet high interest rates and overhead expense caused impairment of surplus and, less frequently, of capital in a number of labor banks. Several banks permitted organization expense to encroach unduly on surplus so that this buffer for the unprofitable early period of the bank's existence was largely eliminated. Altogether approximately a half of all labor institutions showed an impairment of surplus in their published statements at one time or another and from the indications available at least a half dozen suffered temporary or permanent impairment of capital. If complete information on examiners' requests for replacement of assets were available, this number would probably be larger. It is unfair, however, to establish standards for labor banks too far above those of other smaller banks in their communities.

It is necessary, however, to determine to what extent labor banks took precautions to secure a sufficient paid-in surplus at the time of organization to prevent impairment of capital should several large loans or investments go bad simultaneously. The following tabulation shows the distribution of labor banks according to the per cent their paid-in surplus bore to capital at time of organization or as soon as installment payments by stockholders were completed.[1]

Two of the four banks which commenced business with little or no surplus were the products of promoters who looked more to their own profits than to the ultimate safety of the bank.

[1] Where the nominal paid-in surplus was not shown to exist for a long period after the opening of a bank, the actual surplus has been used. The grouping has been made to include banks showing a slight early impairment with those of the same percentage of nominal surplus to capital. Existing banks purchased are placed according to their actual surplus at time of transfer to labor control. The Philadelphia Amalgamated bank is not included.

| PER CENT. NOMINAL PAID-IN SURPLUS TO CAPITAL | NO. OF BANKS |
|---|---|
| Under 8 | 4 |
| 8 to 13 | 7 |
| 14 to 20 | 10 |
| 21 to 40 | 8 |
| 41 to 50 | 6 |
| Over 50 | 3 |
| | 38 |

The other two resulted from more or less spontaneous movements for labor banks unguided by sound banking advice. Of the four, one failed, one was sold for a hundred per cent assessment, another was gradually transferred to nonlabor interests, while the remaining bank corrected its unsatisfactory capitalization by a transfer of a part of its capital to its surplus account by a reduction of the former.

Of the nine banks inaugurated with a surplus approximately fifty per cent of capital or more, seven were in the East, while another was in Chicago. The remaining bank was that in Rogersville, Tennessee. When the Pressmen assumed control of the Rogersville bank, its surplus exceeded its capital. The New York Federation Bank started business with a paid-in surplus of one hundred per cent. The more conservative standards of banking in the East seem to have had some influence on the proportion of paid-in surplus to capital fixed by those starting labor banks. The Engineers in starting their Cleveland institution, however, determined upon the minimum figure of ten per cent. In some of their later promotions this was increased to twenty per cent or more.

While the correlation is by no means complete, most of the continuing labor banks which started with relatively large paid-in surpluses have added to them by gradual accumulations from earnings. The banks which have shown the steadiest accumulation of surplus in this way are the New York Amalgamated and Federation Banks, and the Hammond bank. All three of these banks have paid frequent dividends as well. Sev-

eral other labor banks have approached these institutions in their rate of accumulation of surplus but the majority, more often because of limited earnings, have shown irregularity or reductions in their surplus accounts, especially when undivided profits are included.

It has already been mentioned that eleven labor banks have increased their authorized capital since inauguration. While in most banks this procedure was a relatively simple one, in the case of several labor institutions the step was somewhat influenced by the need to keep the labor control of the bank intact despite the sale of additional stock. Various devices were used.

The New York Amalgamated Bank has used the marketable stock right. When additional stock was issued in 1928, a price considerably below book value was set for old stockholders with the limitation that not more than an amount equal to three-tenths of existing holdings could be purchased at this price. Warrants were distributed to old stockholders worth $4.50 a share.[1] The union created a market for these rights and made sure that only members exercised them. In previous additional issues, old stockholders were favored by a price below book value, but rights were not issued. The newer arrangement seems to indicate a wider appreciation by stockholders of corporate practice and the effect of increased stock issues. Since the Amalgamated and its subordinate divisions have owned a large majority of the stock of the bank, however, the favorable rates offered to old stockholders were more a generous gesture than a step necessary to prevent possible shifts in control. The provision for salable rights indicates that the bank expected that some old stockholders might not see fit to increase their holdings. Quite a number exercised their rights, however.

Although the New York Federation Bank gave preference to

[1] *The Advance*, April 27, 1928, p. 15.

old stockholders when it increased its stock in 1925, the stock was sold to new purchasers at par so that no valuable rights accrued to old stockholders. The fact that the bank had just paid an extra dividend of twelve per cent and that the book value of the stock was considerably above par reinforced a wide demand for the new issue. The limitations on union and individual holdings were increased to allow old stockholders to add to their original purchases.[1] The bargain offered new stockholders at the expense of the old was probably considered justified by the wider market for stock and the added support secured for the bank.

A somewhat more complicated case was that of the Hammond bank at the time its control was repurchased from the Engineers by a local group in 1926. The latter demanded two hundred dollars a share for the majority block of stock which they had purchased some years before at one hundred ten. To bring down the price to a more marketable figure for resale to trade union purchasers, a stock dividend of thirty-three and one-third per cent was declared. The capital of the bank was thus raised by this amount and additional stock sufficient to double the original capital was sold at the same time as that obtained from the Engineers. Because of the promising future of the bank, the sale price of the stock was fixed at an amount above book value although not to the extent demanded by the Engineers.

In two other instances stock dividends have been used by labor banks to increase their capital stock. The Machinists' bank in 1927 declared a stock dividend of twenty-five per cent and then doubled the total stock outstanding by sale of shares to their members throughout the country.

The Engineers followed a more vigorous procedure in ex-

[1] *Bloomfield's Labor Digest*, May 2, 1925, p. 3051.

panding their Birmingham banking enterprise in 1925. The Federated Bank and Trust Company, with capital stock of $125,000, was liquidated and the Brotherhood of Locomotive Engineers' Bank and Trust Company with $500,000 capital assumed its assets and liabilities. The sum paid the earlier bank is said to have been about sufficient to reimburse its stockholders the original price of the bank's stock.

A most unusual plan was followed in the case of the ill-fated Pittsburgh bank. The capital of this bank was impaired from the first on account of ill-advised purchases of furniture and fixtures. To build up the capital account, a later president of the institution repurchased stock from some original stockholders at one hundred and ten and resold it to other labor groups at one hundred and fifty. The difference, along with proceeds from additional stock sold, was added to the bank's capitalization. This was done on the president's assurance that additional funds must be secured. The new purchasers were virtually paying a voluntary assessment to continue the bank's existence.

### D. DIVIDENDS

Most labor banks have suffered the temptation to pay dividends before surplus, undivided profits, and reserves for contingent losses warranted. Both the demand of labor stockholders for returns on their investment and the desire of the bank's directors or management to make a good showing have encouraged such a policy. Three of the first four labor banks in operation paid dividends within the first two years. The Brotherhood bank in Cleveland paid a six per cent dividend at the close of its first year of operation and a year later went on a ten per cent basis. The example of these early banks seems to have augmented the pressure on other labor banks to pay early dividends.

While it is difficult to determine in each case whether or not a particular bank went on a dividend basis too early, a study of successive balance sheets, coupled with the opinions of bankers both in the labor bank and in other banks in the community afford a good basis of judgment. In the light of conservative standards of policy, it must be said that of nineteen labor banks at some time on a dividend basis, approximately one-half began paying dividends before their reserves and assured stability of earnings warranted. One of the largest labor banks began paying dividends at an early date and continued to do so at a liberal rate despite repeated impairments of capital. Another, so far as can be determined, paid a five per cent dividend within the first year of operation in order that the promoters could sell additional stock more readily. One locally sponsored bank, affiliated with the Engineers' chain, paid a five per cent dividend after seventeen months' operation when six months previously its paid-in surplus had been impaired. The dividend absorbed approximately two-thirds of the profits shown. Another bank paid a six per cent dividend within a year of reorganization and then on account of a marked reduction in undivided profits paid no more dividends until it ceased to be a labor bank. Other illustrations of a less striking nature could be added but these serve to indicate the urge to pay early dividends.

The ignorance of many labor directors and stockholders of their responsibilities and expectancies underlies much of the pressure for dividends. In order to sell bank stock many sponsors and promoters of labor banks permitted or even encouraged the belief that bank stock, like a bond, practically assured a rate of return within a short time after purchase. The limitation of dividends to ten per cent was sometimes permitted to carry, by mental association, an indication that dividends would soon reach this figure. The experience of the Cleveland

bank proved to be a ready example. The accumulation of profits by the bank and a rise in the book value of the stock meant little to most labor stockholders, either as a safeguard against losses and assessments or as a gain on their own investment. Many labor bank stocks had little or no market outside of the bank and prices were likely to be arbitrarily placed at or near that originally fixed. When no dividends were forthcoming the small shareholder was prone to object strenuously. The class character of the bank, the restricted market for the stock, and the personal contacts of the stockholders with the directors encouraged complaints where other securities would have been sold for what they would bring.

The result was that labor directors urged the payment of dividends upon the active bank managers. The latter, in the instances discussed, were unable or unwilling to resist the pressure. Strong directors could have resisted the demand, but the position of the executive officer was not always secure enough to do so. The sale of bank stock by campaign methods to individuals ignorant of the character of such stock and unprepared to forego income on their investment for several years was the original source of trouble.

The desire of enthusiasts and promoters to show early prosperity needs little explanation. Labor banks are only one example of enterprises which have suffered from this danger. As a new type of institution and labor's much heralded entrance into finance, the leaders of the movement felt they must make good quickly. The Engineers, with new bank and securities company stock to sell, had a more concrete reason to advertise the quick returns paid on bank stock and the ready sources of income of bank holding companies.

But there remain the thirteen labor banks at one time in existence which never paid dividends. Some of these had compelling reasons for not doing so, reasons which usually led to

their termination as labor banks. The decisions of others were justified by their recent initiation, slow growth of deposits, or lack of sufficient accumulated reserves. Seven banks now continuing have not yet paid dividends. There can be little doubt as to the wisdom of this policy in the light of their successive statements.

A minority of labor banks, less than a quarter, have shown what may be considered an entirely satisfactory dividend record throughout their existence. A few banks in addition which commenced dividends too early have since shown sufficient earnings to continue the rates paid. It is upon this small group of banks that reliance must be placed to indicate to the world that the labor banking movement is a self-sufficient financial venture and not one endowed by the funds of trade unions and their members for some indirect and profitless service to the labor community. While in the past, the banks which played to the gallery by paying spectacular dividends have received most attention, those which have maintained steadily a smaller but more justifiable rate must now be regarded the chief exponents of labor's bid for a place in the financial system of the country.

Hardly any other feature of labor banking received more attention in the early years of the movement than the provision for a limitation of dividends to stockholders. The way in which this feature became closely associated with the movement has already been discussed. The provision symbolized labor's attitude toward capitalistic aggrandizement in banking. While most of the rank and file of labor accepted it with all sincerity, there was a great deal of self-righteous satisfaction based on an unconscious disregard or ignorance of what was involved. It was far easier to give up future profits before any profits accrued and while the first enthusiasms continued. Even the leaders were uncertain as to the financial problems which the limitation

device introduced. The small stockholder saw simplicity where none existed. The banks which shared profits with savings depositors found this to be a most effective advertising feature so that executive officers were glad to continue the limitation of dividends as long as stockholders did not object.

The questions involved in labor bank provisions for the limitation of dividends are many. Is the ten per cent maximum to be based on the par value of the stock, the original price of the stock, the current book value, or the market price? The limitation becomes much less effective as the basis is shifted from the first amounts to the latter. The last basis leaves practically no limitation since the market value of any good bank stock would be a capitalization of dividends at a much smaller rate than ten per cent. If dividends are limited to ten per cent of the original investment of the stockholder, the most logical arrangement, he gains just as surely if undivided profits accrue and are undisturbed as if dividends were paid. Attempts to keep down the market value of the stock by arbitrarily fixing a market price will be effective only so long as the sponsoring organization can bring moral or legal pressure on the stockholders not to sell elsewhere. Another question is whether the limitation allows a cumulative dividend of ten per cent. Should stockholders receive dividends sufficient to bring the average rate from the time of investment up to ten per cent or is this rate to be a maximum rather than an average? In any case the accumulated net earnings of the bank must in the long run increase either the stockholders' income or his equity, or else be absorbed by higher rates to depositors, lower rates to borrowers, or services furnished to customers at less than cost.

The tendency of most labor banks has been to eliminate the principle of the limitation of dividends. The financial difficulties involved have been reinforced by a change in attitude on the part of the individuals most active in directing the banks.

Years of waiting for dividends, the risks taken as stockholders, disillusionment as to the power of the banks to aid the labor movement, and their personal interests over against those of the many trade unionists and depositors not investing in the local bank have influenced the stockholders. The need to attract purchasers of new issues of stock and business directors by high dividends, the danger of litigation for higher dividends by stockholders outside the labor movement, and the appeal of "cold banking" have influenced the directors and executive officers. In most cases the elimination has been more by general acceptance than by positive action. Few banks have reached the limiting rate. The elimination of *cooperative* from the titles of newer labor banks and some older institutions indicates the trend.

Several exceptions to the passing of the cooperative device or, at least, of the purpose of cooperation must be noted. The Hammond bank has continued to share profits with savings depositors. The Amalgamated banks have put much emphasis on services afforded small savers and borrowers. The two New York banks now pay four and one-half per cent to meet the competition of the large mutual savings banks in the city. Although a means of securing deposits, the higher rate involves something of the cooperative principle because the mutual savings banks are themselves cooperative. In some other cities the payment of four per cent on savings deposits involves the same principles although not always with the same justification from the point of view of banking policy. But the keen competition for survival has reduced greatly the possibilities of applying cooperative principles to banking. The spirit of cooperation where it originally existed has often been lost in the cooling atmosphere of enlightened self-interest which pervades our commercial banking system.

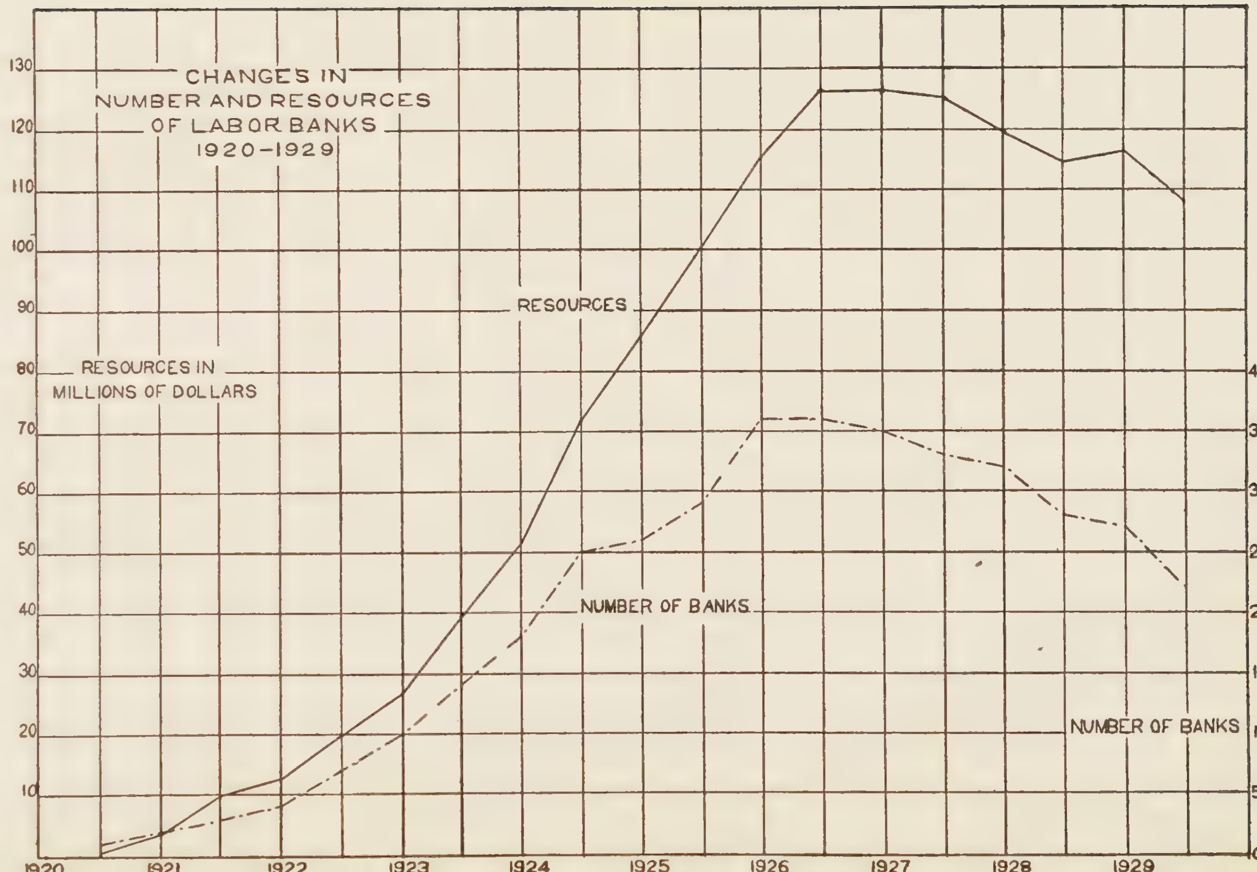
CHAPTER NINE

# *THE SUCCESS OF THE MOVEMENT (BANKING STANDPOINT)*

## A. STATISTICAL MEASURE OF SUCCESS

IN A movement consisting of two score or more enterprises and carried on by a far larger number of organizations and men, the degree of success attained by the movement is difficult to determine from the blurred lines of the composite picture. But in an estimation of its success from the banking viewpoint, especially, statistics are of value. The growth and decline of the more significant items appearing on bank statements of condition and the records of dividends paid relative to investment are fair indices of the success of the movement in monetary terms. Such statistics alone are colorless, however, without some account of the circumstances which lie behind the totals. Following a statistical summary, the successes, failures, and "draws" among the individual labor banks now or formally in existence will be discussed briefly to make possible an estimation of the success of the movement as one example of class banking.

As indicated by Chart I, the number of labor banks grew slowly during the business depression of 1921. From 1922 on, however, momentum was gained which was retained in the main until a maximum of thirty-six labor banks was reached at the end of 1925. Although it was December, 1926, before the last labor bank was added, terminations took place in 1925 and 1926. Terminations began to exceed initiations in the latter part of 1926, and a downward trend less sharp than the preceding rise became evident. In 1929 the number of banks



CHANGES IN
NUMBER AND RESOURCES
OF LABOR BANKS
1920-1929
RESOURCES IN
MILLIONS OF DOLLARS
RESOURCES
NUMBER OF BANKS
NUMBER OF BANKS
130
120
110
100
90
80
70
60
50
40
30
20
10
40
35
30
25
20
15
10
5
0
1920
1921
1922
1923
1924
1925
1926
1927
1928
1929

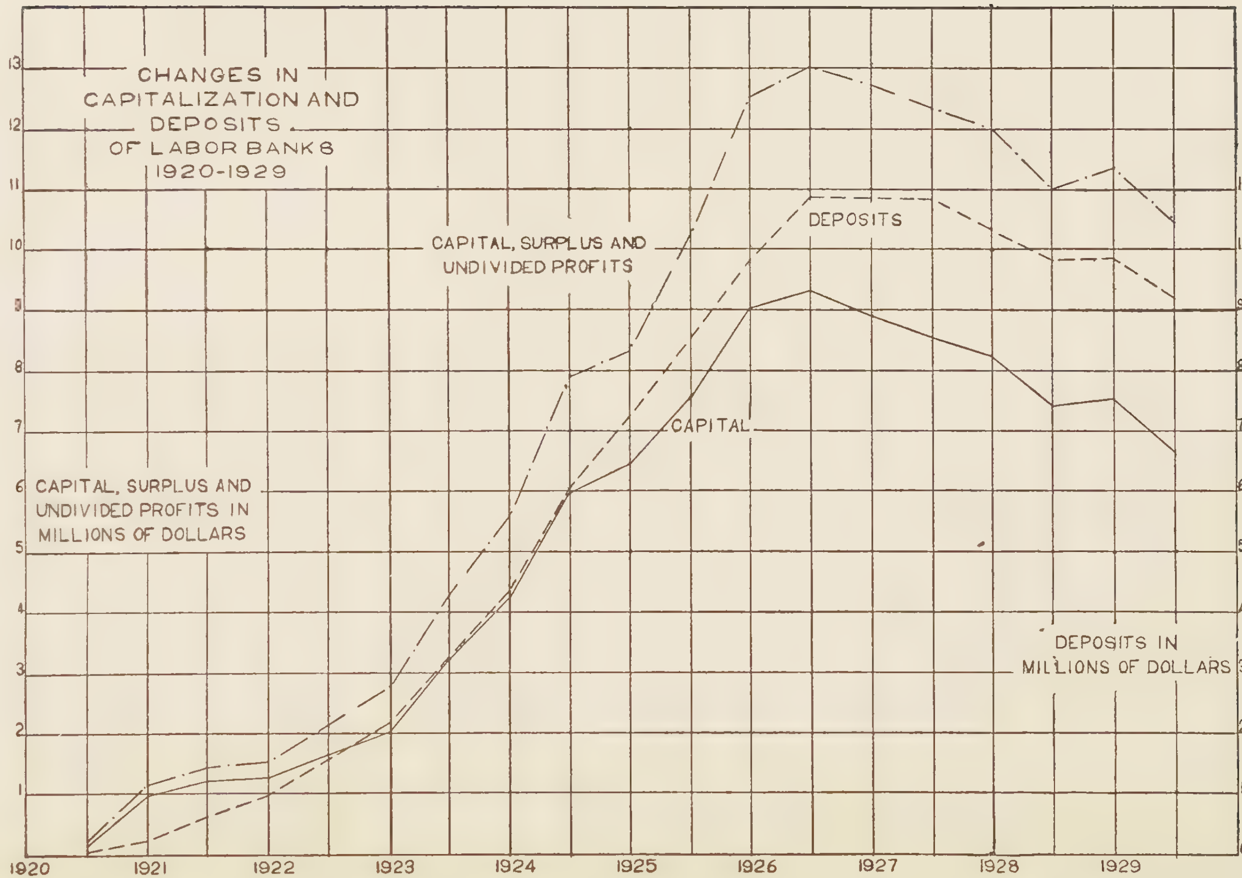

CHART I

was again that existing in early 1924 and indications of a further decline were manifest.

While the rise and fall in the number of labor banks is correlated to that in the extent of the Engineers' participation in the movement, the change in trend can be explained but partially by that fact. Eleven out of seventeen terminations were due to causes not related, immediately at least, to the situation existing in the Engineers' system. The Engineers were the last to open a bank and although the disclosures of their misfortunes checked further enterprises, a resistance to the growth of the movement had already been generated by failures in 1925 and 1926 and by opposition or futile promotions in various quarters.

The capital invested in labor banks, as is shown in Chart II, increased rapidly from the early part of 1923 after a two year period in which the Engineers' Cleveland bank alone constituted more than half of the investment in the movement. The peak in the total capital of labor banks did not come until the middle of 1926, since the two banks terminated before that time were not large. The trends of total capital on the one hand and surplus and undivided profits on the other are quite similar except that the organization of several banks with proportionately large paid-in surpluses during the years 1923 to 1925, inclusive, caused these totals to rise more rapidly than those in capital. Impairments of surplus and the termination of several banks with relatively large paid-in surpluses have caused the decline in surplus to parallel that of capital. In the latter part of 1928, the earnings of continuing banks and an increase in the capitalization of one institution more than offset the termination of one small bank.

The rapid increase in deposits in the Cleveland bank caused the total deposits of all labor banks to rise steadily from the beginning, as is shown in Chart II. By 1923 the rise became



CHANGES IN
CAPITALIZATION AND
DEPOSITS
OF LABOR BANKS
1920-1929
CAPITAL, SURPLUS AND
UNDIVIDED PROFITS
DEPOSITS
CAPITAL
CAPITAL, SURPLUS AND
UNDIVIDED PROFITS IN
MILLIONS OF DOLLARS
DEPOSITS IN
MILLIONS OF DOLLARS
1920
1921
1922
1923
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1927
1928
1929

pronounced and continued so until the middle of 1926 due to the addition of new banks and the growth of some of those already established. On account of the proportionately smaller deposits built up by terminated banks, the curve for deposits shows a tendency to hold its own, despite the elimination of fifteen banks after the middle of 1926. The decline in deposits in the Engineers' banks, however, along with the terminations, caused too great a reduction for the growth of deposits in successful labor banks to offset.

The curve for deposits has been included in Chart II on a scale ten times that used for the curves for capital, surplus, and undivided profits in order to indicate the varying degrees to which deposits were secured as capitalization increased. If the ratio of ten to one for deposits and capitalization is taken as normal, the two periods in which labor banks as a group were most overcapitalized were in the early years and again during the peak period of 1924 to 1927, when a group of unsuccessful banks had contributed their excessive investment and relatively small deposits to the totals. By 1928 the relation of deposits to capitalization was again approaching normal.

The curve for the total resources of labor banks, as would be expected, follows the pattern of that for deposits, accentuated by the changes in total capitalization. As is indicated by Chart I, the average size of labor banks increased markedly in the later years of the movement, due in part to the relatively large size of the Engineers' later promotions and, more permanently, to the growth of several outstanding institutions.

Turning to the dividend records of labor banks, in the absence of complete or satisfactory earnings accounts, an apparently definite but much oversimplified measurement of the success of the movement is available.[1] The tabulation below

[1] Reserves for contingencies and undervalued assets, assessments and removals of doubtful paper all make any estimation of labor bank earnings difficult. Even

shows the total dividends paid by labor banks by years. In order to correlate these totals with the investment which stockholders made to secure these returns, the total capital and paid-in surplus on June thirtieth of each year is used. The percentage returns indicated are high in the early years on account of the quick returns made by the Engineers' Cleveland bank. By 1924, however, many new non-paying banks brought down the rate. Only in 1928, after every bank had been in existence

YEARLY RETURNS TO STOCKHOLDERS ON PAID-IN INVESTMENT
(*All Labor Banks*)

| | NUMBER OF BANKS | INVESTMENT[1] | DIVIDENDS[2] | PER CENT RETURN ON INVESTMENT |
|---|---|---|---|---|
| 1920 | 1 | 240,000 | | |
| 1921 | 3 | 1,400,000 | 61,600 | 4.40 |
| 1922 | 7 | 1,871,000 | 115,750 | 6.18 |
| 1923 | 14 | 4,058,500 | 130,875 | 3.22 |
| 1924 | 25 | 7,641,270 | 134,850 | 1.76 |
| 1925 | 29 | 9,806,570 | 235,600 | 2.40 |
| 1926 | 36 | 12,366,600 | 323,200 | 2.61 |
| 1927 | 33 | 11,355,000 | 313,100 | 2.75 |
| 1928 | 28 | 9,970,000 | 309,625 | 3.10 |

[1] "Investment" includes the total capital and surplus of labor banks (and any contingent funds shown) *paid in* on or before June 30 of the year not returned to stockholders as principal. The total for June 30 has been taken as representative of the investment base for the year. Where banks were purchased, the approximate book value of the investment at the time of purchase has been used.

[2] "Divends" include all those paid in cash by labor banks during the twelve months period from February 1 of year to January 31 of ensuing year. In order to maintain the true per cent paid, the amounts in dollars have been adjusted slightly in a few cases where a bank's capital was changed during the year.

NOTE: No deduction from total dividends has been made for assessments or for the assumption of doubtful assets by trade unions or holding companies controlling banks. Promoters' commissions are not included in capital.

if complete profit and loss accounts were available much interpretation would be necessary. The earnings of a few of the more successful banks whose reserves are considerable are discounted in this estimation. It is felt, however, that losses in other banks not reflected in statements of condition more than offset these reserves. Nothing short of a series of earnings accounts and examiners' adjustments for each bank would insure an accurate statement of what the statistics here given are intended to approximate.

at least two years, and one-half the banks were on a dividend paying basis, did the indicated return again exceed three per cent.

But even this modest return to stockholders is illusionary. If the losses taken by controlling organizations through the assumption of frozen assets and the losses by others through assessments and through sales of stock of unsuccessful banks were subtracted from the total of dividends paid, little if any would remain. The assumptions of assets by the Engineers' organizations alone would play havoc with this record. Even if the net increases in book value, or for that matter, market value of all labor bank shares on account of actual or prospective earnings were added to dividends as potential income to stockholders, it is probable that the losses taken would not be offset and that a net return lower than that tabulated would be shown. The losses and the increments, however, cannot be definitely measured, so that all that can be said is that a consolidated profit and loss account for all labor banks would show but a meager return on investment. The losses taken on many of the banks which have terminated, and on several that still continue, is a heavy offset to the very satisfactory returns afforded by the outstanding successful banks described below.[1]

A somewhat better return is indicated if only those banks which have continued are included in a computation of returns on investment. A number of unsuccessful banks which brought down the rate of return during the peak years is then eliminated. Many banks which have not paid dividends remain, however, as well as some of those in which, on occasion, assets have been assumed by sponsoring organizations. The net increase in the book value or the market value of the shares of

[1] *See* pp. 234*ff*.

continuing banks, however, would go farther to offset the removals of assets previously necessary in some of their number.

YEARLY RETURN TO STOCKHOLDERS ON PAID-IN INVESTMENT
(*Continuing Labor Banks*)

| | NUMBER OF BANKS | INVESTMENT[1] | DIVIDENDS[2] | PER CENT RETURN ON INVESTMENT |
|---|---|---|---|---|
| 1920 | 1 | 240,000 | | |
| 1921 | 2 | 1,340,000 | 61,600 | 4.59 |
| 1922 | 3 | 1,395,000 | 111,500 | 7.99 |
| 1923 | 9 | 3,345,000 | 112,500 | 3.36 |
| 1924 | 14 | 4,574,300 | 119,600 | 2.61 |
| 1925 | 17 | 5,577,500 | 186,600 | 3.34 |
| 1926 | 22 | 7,704,000 | 291,200 | 3.77 |
| 1927 | 22 | 8,004,000 | 293,850 | 3.67 |
| 1928 | 22 | 8,559,000 | 309,625 | 3.61 |

1 "Investment" includes the total capital and surplus of labor banks (and any contingent funds shown) *paid in* on or before June 30 of the year not returned to stockholders as principal. The total for June 30 has been taken as representative of the investment base for the year. Where banks were purchased, the approximate book value of the investment at the time of purchase has been used.

2 "Dividends" include all those paid in cash by labor banks during the twelve months period from February 1 of year to January 31 of ensuing year. In order to maintain the true per cent paid, the amounts in dollars have been adjusted slightly in a few cases where a bank's capital was changed during the year.

NOTE: No deduction from total dividends has been made for assessments or for the assumption of doubtful assets by trade unions or holding companies controlling labor banks. Promoters' commissions are not included in capital.

### B. BANKS CONTINUING UNDER LABOR CONTROL

Three labor banks overtop all others so much in size that either their deposits or their resources combined equal approximately those of all other labor banks. They are the New York Federation bank, the Cleveland Engineers' bank, and the New York Amalgamated bank. The Engineers' bank, opened in 1920, got off to a fast start and reached a peak in resources of twenty-eight millions by the middle of 1924. In 1926 a decline set in, which was sharply accentuated in 1927, when the En-

gineers' financial troubles came to be known. A part of the decline suffered at that time has been regained, but little more than twenty millions have again been reached. The New York Federation bank had shown a steady growth from its inauguration in 1923, and in 1927 when the Cleveland bank declined in resources, the former bank came into first place. It has held this position most of the time since 1927.[1]

The third of this group of large labor banks is the New York Amalgamated. This bank has grown steadily during its six years of existence and now has thirteen and a third millions of resources. It has shown every indication of continuing its upward trend.[2]

The size and marked growth of these three banks have caused them to receive a great deal of attention as examples of the labor banking movement. Except for size and growth they have little in common, however, and their differences in personnel and policies may be noted briefly. The Federation bank represents the efforts of the constituent unions of the American Federation of Labor and the New York State Federation of Labor to establish a successful labor institution. It has drawn upon a cross section of the labor movement for support, but in its commercial banking business has developed wide contacts outside of labor circles. Its aim seems to be that of developing a successful bank to the end that labor will thereby obtain prestige. The Engineers' bank, on the other hand, has been much more a cog in the great wheel of the Engineers' system, although since 1927 it has sought to detach itself. Its policies in the past have been aimed toward advancing or securing prestige for the Brotherhood and the partisan interests of the group in power in the Brotherhood. As a part of the system, its serious errors in policy before 1927 have been offset in part by the

[1] *See* Appendix B, Part I.
[2] *ibid.*

willingness of the Brotherhood's officers to give it aid through other subordinate enterprises so that appearances could be maintained. The heavy losses, extravagant expenditures, and mismanagement from which this bank suffered up to that time came to light in the Brotherhood of Locomotive Engineers' convention in 1927. The much-heralded record of prosperity and the dividends paid to both stockholders and savings depositors were shown to be unwarranted by the true condition of the bank during the period.

Both the New York Federation bank and the Engineers' bank in Cleveland have been means to other ends. While this can be said of all banks, and especially labor banks, there has been in these two institutions an urge to succeed for the sake of prestige. The Engineers' bank was Stone's bid for fame and his followers' source of position and power. The show was kept up only at great expense. The Federation bank, with much surer and more successful standards of banking, has been the means of demonstrating the ability of its sponsors as labor officials to develop a large and representative bank. The elements of class cooperation and class consciousness which made labor banking a unique *movement* in its early days have largely disappeared in these institutions. They are now more *banks controlled by labor organizations* than *labor banks*, if such a distinction is possible.

The New York Amalgamated bank has continued to be a unit in the program of a labor union acting in its own capacity. It has been far too closely coordinated with a strong union administration to have lost the spirit of a class-conscious enterprise permeated with a purpose of advancing class cooperation. Unlike the Engineers' bank and many financial enterprises which followed it, the Amalgamated bank has not been the tail which wagged the dog. Banking policies, while influenced by the bank's subordination to the union, have been cautious

and yet progressive. With the continuance of the confidence which both the bank and the present union administration have enjoyed, the Amalgamated bank will become all the more the outstanding *labor* bank.

Among the other leaders in the labor banking movement has been the Telegraphers' bank in St. Louis. This bank grew steadily from 1923 to 1927, but from then on its resources have remained at about seven and one-half millions. While closely controlled by a strong national union, it has in recent years plodded a straight course as a successful and conservative savings bank with policies little influenced by its labor connections. The Paterson bank, although relatively late in initiation, has forged ahead rapidly on account of the good support it has received. With conservative management and close contacts with the labor group of an industrial community, its upward trend does not seem to have ceased. The Clerks' bank, the next in size, has taken a new lease on life. Benefitting by divorcement from the affairs of the Brotherhood and by a much improved management whose business contacts in its community are wide, the bank seems to have a good future before it. Its interest in the needs of labor has been reaffirmed by the establishment of an active small loan department.

The first labor bank, the Machinists', which was founded in 1920, has not experienced the unusually rapid growth of the banks already mentioned. While growth was steady in its early years, a retardation occurred in 1926 and 1927, which a much improved management has since overcome. This bank has remained a community institution located in a non-industrial city, affiliated with a national union headquarters more as a matter of investment than as a feature of its sponsor's policies as a trade union.

Among the other institutions which have come to the fore in the labor banking movement, the Hammond bank has been re-

peatedly mentioned. The presence of a capable executive officer with a pronounced bent toward cooperation has been the main reason for the success of this bank. It remains the only institution which has continued to share profits with depositors. It has carried on a positive program of trade union participation and education and yet has maintained its independence and progress as a banking enterprise.

Other banks could be mentioned to indicate the permanence of the labor banking movement as it now exists. The Chicago Amalgamated and the Newark banks could be added as arguments against the entire subsidence of the wave which increased from 1920 on to 1926 and declined so markedly since that time. It is sufficient to show, however, that no matter what failures of personnel, policies, or purpose may be charged against many discontinued banks in the ensuing discussion, the movement is still continuing and, profiting by the experience of the past, and the further elimination of weaker participants, it may play a considerable part in this country's labor and financial activities.

### C. BANKS DISCONTINUED ON ACCOUNT OF FAILURE, ASSESSMENTS, OR LIQUIDATION

The circumstances of a banking nature which surround the termination of the seventeen labor banks which have ceased to exist as such are so complex that they can be grouped but roughly. One basis of grouping which suggests itself is that according to the procedure which brought about termination. Four groups may be distinguished. The first includes banks which failed or whose assets or stock were sold under circumstances causing the original participants to lose all or a major part of their investment. The Producers and Consumers Bank in Philadelphia is the most serious instance of such termination. The unique features of this ill-advised promotion have

already been discussed.[1] It long outlived its usefulness, even as an experiment, because of the clever but dangerous device of exemption from state examination. On May 2, 1925, the day on which a bill revoking its exemption from examination was signed by the state governor, its officers asked for a receivership. The bank had been known to be in an exceedingly weak condition and it is hard to understand why depositors allowed their funds to remain in its care. The receiver reported that but a fifty-five per cent return could be made on the $1,300,000 of deposits. The Mitten interests of Philadelphia came to the fore and assumed the deposit liabilities of the bank, subject to an agreement with the individual depositors that they would continue their accounts in a successor Mitten bank.[2] The stockholders who went with the Mitten group also profited through a subsequent repayment of their investment by a contribution on the part of the rescuing group. Such reimbursement was not due to any unexpected resuscitation of the defunct bank's assets, however.

There are few phases of unsound banking which were not exemplified in this ill-fated bank. Ignorance, inefficiency, dishonesty, poor judgment, and favoritism are among the factors reported as causes for its failure. The immediate cause seems to have been loans for speculation in real estate and small loans to discredited borrowers. Warnings from persons interested in the advancement of the labor movement and in sound labor banking were unheeded and made to appear as capitalistic attacks.[3] The sponsoring group seems to have become wholly self-interested, once the enterprise got beyond their control.

[1] *See* Chapter II, pp. 24-6.

[2] *See Service Talks* (published by the Philadelphia Rapid Transit Company) January 21, February 4, November 25, and December 25, 1926; The Co-operative League of America, News release, May 12, 1925; *Bloomfield's Labor Digest*, May 23, 1925, p. 3074. For the details of the Mitten agreement, *see* Appendix B, Part II.

[3] *See Bloomfield's Labor Digest*, May 23, 1925, p. 3074.

The failure of the Pittsburgh bank in October, 1926, was due to equally complex reasons. Ignorance and misjudgment, incompetency and self-interest in varying combination on the part of directors and officers handicapped this bank from the beginning. Trade union politics and jealousies prevented wide labor support. The bank's original capital was impaired at the outset by ill-advised investment in furniture and fixtures placed in a building on which but a six months' lease had been obtained. The pledges of stock purchasers were used as collateral to borrow funds with which to commence business. Repeated impairments of capital toward the end of the bank's existence were voluntarily made up by its directors in order to save the institution. A young lawyer inexperienced in banking who became its president after others had failed, devoted his efforts and money to revive the bank. Attempts to sell the institution proved futile. Finally as a last desperate remedy, a seeming bargain in Liberty Bonds offered itself. The officers were taken in by a clever swindler and when this became known by the state authorities, who had long been pressing the bank, its doors were closed. The officers were indicted as accomplices but were later acquitted.[1] Although the assets of the bank, including the funds recovered, have been reported to be sufficient to pay depositors in full, the authorities have wisely opposed reorganization. The Mitten interests investigated the advisability of taking over the bank but were discouraged by the attitude of the Pittsburgh labor group.

Neither the latter nor the state banking department has reason to repeat its part in the initiation, regulation, and decease of the Pittsburgh institution. The whole affair seems to have been a fumble from start to finish with but one saving

[1] *See The New York Times*, October 17, 18, 26, and 27, 1926, and July 6 and 30, 1927; *The New York Evening Post*, January 8, 1927; *Pittsburgh Post-Gazette*, October 8, 1928, *passim*; *Stereotypers' and Electrotypers' Union Journal*, March, 1927.

grace, the misdirected faith and loyal support of the president and certain other officers and directors.

Another labor bank termination which bore the marks of failure was that of the Tucson United Bank and Trust Company in June, 1928. The stock of this bank was transferred to nonlabor interests under an arrangement with the state superintendent that the new group would replace doubtful paper in the bank to an amount equal to the bank's capital. The Tucson Cooperative Association, the holding company giving up the bank stock, stood to receive only what proceeds could be obtained from this paper. The labor group constituting the Association had this as their sole reimbursement.

The Tucson bank was handicapped from the start by incompetent management. The fact that the administration of the stockholding association was elected on the one share, one vote, basis made tenure of office in the bank insecure. It was difficult to obtain an experienced officer to take charge of the institution, which was locally regarded as an experiment. The first president selected had come to Tucson for his health and was ill-fitted to assume the difficult and strenuous task of build-up a labor institution. The directors, instead of sharing the president's responsibilities under these conditions, increased them and seemed to lose interest in the bank's problems. On the death of the first president, a young man of inadequate experience and ability assumed the task of operating the bank. Inefficiency, faulty judgment, and laxity increased the bank's difficulties. The failure to register chattel mortgages, a multitude of small loans, and the extension of loans to questionable borrowers on watches and jewelry indicate the loose standards of banking which existed. The executive officer seemed to have free rein and there was little restraint by the directors. The labor group, however, expected concessions.

The bank was approaching disaster long before its termina-

tion in 1928. But the political situation in the city and state made the state officials loath to arouse the labor group by closing the bank, although this seems to have been justified. The danger of a run prevented an assessment of the holding company and its many stockholders. A valiant attempt to remedy the situation by one of the trade union leaders who had participated in the organization of the bank was unsuccessful. The lack of experience and labor support was too great. It was fortunate that outside bankers saw fit to take over and reorganize the bank, since bankruptcy and a full assessment of stockholders was the probable alternative.

The fourth bank which falls into the group of those terminating their careers as labor institutions under conditions approaching failure is the Los Angeles Peoples National Bank. Early in 1928 an assessment of $23.54 a share was levied on its stock and later in that year the capital of the bank was reduced from $500,000 to $250,000 without reimbursement. The bank's paid-in surplus of $125,000 had become almost entirely impaired. A syndicate of nonlabor interests took over a part or all of the stock of many of the labor group who were not willing to pay the first assessment. When, following the reduction in capital new stock was sold to increase the bank's capital to the previous amount, most of the labor group were found to be uninterested in investing further funds after suffering a loss of more than two-thirds of the original purchase price. Meanwhile the bank was reorganized and refinanced by the syndicate, which had taken up most of the new stock, and both name and administration of the bank were radically changed in order to give it a fresh start.

Just as in the case of the three banks whose unfortunate history has been discussed, the seeds of disaster were sown early in this bank's existence. The bank was promoted by a small group of men among whom excessive enthusiasm for labor

banking was combined with a speculative fever for profits and influence. High-pressure salesmanship was used to sell the bank's stock to the local labor group. As a result, the latter entered the scheme with expectations soon to be discouraged and replaced by dissension, self-interest and, finally, indifference. The bank was overmanned from top to bottom and most of its executive officers proved to be ill-chosen for their positions. One president of the bank was removed from office when the state banking department found the bank's affairs in a serious muddle. Following this the bank obtained a national charter to get away from state supervision. Another officer permitted a self-interested clique to influence the bank's loans to their own advantage. A faction within the institution who were interested in the mortgage company and building and loan association affiliated with the bank used their contacts as bank officers to attract depositors into these ventures away from the bank.

The bank's connection with organized labor caused serious difficulties. It suffered severely from local union politics and, since directorships were looked upon as the spoils of office, upsets in the unions caused changes in the bank's board. Pressure placed upon the bank to lend to fair employers and to stockholders resulted in losses. Dissensions among the labor group reduced labor support markedly after the first wave of enthusiasm had died away. Labor directors failed to attend meetings with sufficient regularity to protect the interests of the bank and when in attendance were too inexperienced to know what was occurring.

Thus losses on loans, large and small, excessive salary expense, inefficiency, ignorance, the self-interest of some and the indifference of others, combined to bring about a condition which necessitated radical reorganization and refinancing to avoid positive failure.

It is unnecessary to summarize the causes of failure which

are common to these four banks. They are glaringly apparent.

A second type of labor bank termination affords but one bank as example. It must be set apart, however, both on account of the procedure of termination and the causes which brought it about. The Philadelphia Amalgamated bank was liquidated in March, 1926, after less than a year's existence. The bank was initiated as a private institution and a charter obtained for it as a state bank and trust company was never exercised. Labor support for the bank failed to materialize to the extent expected. The Amalgamated was not strong in the Philadelphia district. The foreign remittance business, which had greatly helped the Chicago and New York Amalgamated banks in their early years, proved insufficient to warrant the bank's overhead.[1] The decision to liquidate the bank as an unsuccessful experiment in extending the Amalgamated chain into new territory was made quickly so that unnecessary losses in running the bank longer could be avoided. The unlikelihood of active labor support for an institution sponsored by a national union not strongly represented in the community appears to be the lesson learned.

A third group of labor bank terminations may be set apart to include two recent cases where banks came to a sudden end because of runs arising primarily from other causes than the financial condition of the banks themselves. The two Engineers' banks in Spokane, although able to continue business otherwise, were caught in a severe banking crisis which arose in that city in January, 1929. The failure of an important bank of the city at this time seriously disturbed the minds of bank depositors in the community. The larger of the two Engineers' institutions, formerly the Brotherhood Cooperative National Bank, found itself subject to such heavy withdrawals that it appealed to the local clearing house for aid. At a con-

[1] *See The Advance*, April 16, 1926, p. 4.

ference of bankers it was decided that the largest bank of the city should take over the affairs of the Engineers' bank upon an assignment of assets and a guarantee by the individual stockholders. The stockholders of the hard-pressed institution acquiesced in this arrangement, since the sale of its securities at that time would involve far greater losses than gradual liquidation by another bank. The sale of the bank's elaborate fixtures will probably incur a marked sacrifice, however.

If the banking situation in Spokane had not taken such a serious turn, this bank would, perhaps, have continued as a moderately successful institution despite some previous losses, which its surplus had been sufficient to offset. It was reported to be in a liquid condition, so that withdrawals of a more normal nature could have been easily met. It was not an accident, however, that it became more seriously affected than other banks by the reduction in community confidence. The disclosures concerning the Engineers' financial ventures which became public in 1927 had not been entirely forgotten. The fact that the bank was controlled locally did not dissociate it from the Engineers' system in the minds of some depositors. During the fall of 1928, amid much internal bickering, the board of directors of the bank was reduced from eight to five and whereas four engineers had previously been on the board, but one was reelected. Following this change in organization, the name of the bank was altered from one indicating its labor character to the *City National Bank*. This shift away from the sponsoring group, which was intended to broaden the bank's patronage, aroused vigorous disapproval. About the beginning of 1929 three of the former members of the managing staff resigned. All these changes and the dissatisfaction resulting from them served to accentuate the reversal of confidence in the bank when general confidence became strained. When the crisis took place, the loyalty of Brotherhood men to the bank

had become so reduced that there were few to rally to its support. Thus the lack of stability in internal organization and in labor support was a considerable factor in the bank's termination.

The termination of the Brotherhood State Bank of Spokane at the same time was brought about in large measure by similar external circumstances. This bank, although a separate institution, was closely affiliated with the larger downtown Engineers' bank. Loss in confidence in the latter bank, which was much more prosperous than the small suburban one, was quickly reflected in the attitude of the depositors in its local community. When danger of failure arose, the bank effected a merger with the two other banks in the Hillyard district of Spokane. The city clearing house along with these two banks assumed whatever losses which might otherwise accrue to depositors.

The Brotherhood State Bank had never been in a thriving condition on account of the competition of two older and stronger institutions in the same relatively small community. While a considerable proportion of the deposits of the railroad workers had been secured, total deposits fluctuated and never reached an amount sufficient to warrant the bank's overhead. Small loans were an important part of the bank's business. The directors, who were almost all railroad men, had sought to improve the bank's personnel by constant changes and in doing so had aroused comment in the community. Altogether, the bank had not developed the wide support and confidence necessary to prevent anxiety on the part of depositors during the serious banking crisis which took place in Spokane.

### D. BANKS SOLD TO NONLABOR INTERESTS

The fourth group of labor bank terminations are those brought about by the sale of the bank's stock to nonlabor in-

terests either gradually by small stockholders or in larger blocks by the trade unions or holding companies previously controlling the bank. With two or three exceptions these banks had not been successful under labor control. Ten terminations fall into this group, of which six were those of Engineers' banks.[1] The banks may be grouped in the following order for purposes of discussion: the three Engineers' banks which were sold in 1926 and 1927 prior to or during the Brotherhood convention, two banks in Southern California which had been promoted by a group of individuals there, the New York International Bank and the Houston bank, and finally the Engineers' banks which were sold in 1929.

The first of the Engineers' banks to be sold was one of the Brotherhood's worst exploits in banking. In the course of the much-heralded entrance into Wall Street early in 1923, it was decided to inaugurate a bank in New York over which the Brotherhood would have entire control. Despite the active opposition of the local Central Trades and Labor Council, the Brotherhood of Locomotive Engineers' Cooperative Trust Company was finally opened at the end of 1923 with a capital and surplus of $750,000. The bank grew but slowly until in October, 1924, when a branch office of another institution was purchased. On account of this accession, the capitalization of the bank was increased to $950,000 and deposits jumped to over five million. The bank did little more than hold the gain brought about in this way although under capable management during the first year. No dividends were paid. Later, the manager of the institution was a nephew of Stone, the president of the Brotherhood. Soon after Stone's death in 1925, his nephew's resignation was accepted. It is reported that the bank accumu-

[1] There are indications that more Engineers' banks will be added to this group as time passes. The reasons for the additional terminations will probably be similar to some of those here discussed.

lated over a million dollars' worth of doubtful paper during its last two years of existence. This incubus was transferred, it has been said, to the Engineers' New York Securities Corporation, the regional company set up to control the bank.

By 1925 the Engineers' financial affairs were in a desperate condition. At about the time of Stone's death, which is said to have been brought on by the objections which were being made to his policies and appointments, it was suggested that a flyer in Florida real estate be made to recoup the heavy losses sustained in the many ventures which had failed to make returns. The project began to take shape late in 1925, by which time a large tract of land had been purchased and plans for a stupendous real estate development had been approved by Brotherhood officers. By the summer of 1926, the drain of Brotherhood funds into Florida necessitated retrenchments elsewhere. The New York bank was sold in August not long after the sale of the stocks held in the Empire Trust Company and the Equitable Building. While the last two investments were turned over at a large profit, there is no indication that the Brotherhood bank netted any gain to the organization. The policies and practices reported to have existed in the institution suggest that a heavy loss was taken in its operation and termination. The stock in the bank was purchased by a group of financiers, who proceeded to reorganize it under another name.

A very different situation existed in the case of the Philadelphia Brotherhood of Locomotive Engineers Title and Trust Company, the second Engineers' bank sold. This bank was not opened for business until April, 1925, and was in existence but about two years. The organization of the bank hung fire for some time, but when operations began a trained and able banker was in charge. By pushing the title and bond departments of the new bank, this officer was able to put it on a paying basis during its second year. Deposits, however, grew but

slowly and were less than twice the bank's capitalization when termination took place. Labor support was poor and the new Mitten Bank in the same city had attracted a large proportion of the type of business for which the Engineers' bank was bidding.

By the spring of 1927 the rumors of the dismal disclosures to be expected when the Engineers' convention took place in June had already reached those in charge of the Philadelphia bank. Great anxiety was felt concerning the effect which these disclosures might have on the stability of the institution. At about this time, however, an opportunity to merge with the Mitten Bank offered itself. The terms proposed by the Mitten group were so much more favorable than those which could be expected should the Cleveland convention be awaited, that the officers of the Brotherhood, acting through the Pennsylvania Securities Corporation, the regional holding company, accepted them. Although ignorant of the underlying situation, the smaller stockholders were encouraged to exchange their stock for that in the Mitten Bank. The shift from trade union control to that of a nonunion employer-employee group met with little opposition among the rank and file. The merger was consummated by the beginning of June, 1927, so that the bank's identity with the Engineers' financial system had terminated before any disclosures in Cleveland could become a source of danger.

The triennial convention of the Brotherhod of Locomotive Engineers met on June 6, 1927. The tension which existed within this gathering was very high and it was not long before the reports of the Committee of Ten, appointed to investigate the financial affairs of the Brotherhood, began to prick the bubbles which Stone and his colleagues and successors had attempted to keep in mid-air. The huge losses, errors of judgment, betrayals of confidence, nepotism, inefficiency, and extravagance that permeated the financial system which had so

long camouflaged itself as a great and glorious enterprise were brought home suddenly to the bewildered delegates. The dismal story, then brought to light, of the worst financial failure that has occurred within the labor movement can be left to others to tell. The details disclosed are here relevant only insofar as they relate to the labor banking enterprises of the Brotherhood.

The first effect of the limited publicity which the disclosures before the convention received was a reduction in the confidence in the Engineers' banks throughout the country. The Cleveland bank, at whose door the convention was held, was hardest hit. More than a quarter of its deposits were withdrawn in the weeks during and following the convention. Heroic measures had to be taken to satisfy the examiners as to the liquidity of the bank. Despite extensive removals of past due paper previous to this time, further assumptions of doubtful assets by the Brotherhood's affiliated enterprises were necessary. Only by the diversion of hundreds of thousands of dollars into the bank from other sources, was the institution kept running.

The distance of most of the other Engineers' institutions from Cleveland and the meagerness of the reports which were published by the press prevented for the time any serious effects on other Brotherhood banks. Considerable reductions in deposits occurred in all these banks, however. The delegates themselves, with fuller information, were in many cases instrumental in having deposits withdrawn. The loyalty which was later shown in coming to the aid of the Brotherhood was at first overshadowed by the desire to lose no more as individuals than they had already sunk into investment companies, real estate, and similar Brotherhood enterprises.

Just as those in charge of the Philadelphia bank had foreseen the potential danger of the convention, so the local group in the Birmingham institution, and in the regional securities com-

pany which controlled it, were aware of the disastrous effects which might take place. An officer of the bank, who was also a delegate to the convention, was given authority and funds by this group and their financial backers to buy up the control of the regional holding company as soon as possible. When, during the earlier stages of the convention, an offer by the Mitten interests of Philadelphia to take over the Engineers' crumbling financial structure was submitted, the Southern group strenuously opposed the inclusion of the Birmingham bank in this transfer.[1] When the Mitten plan was condemned amid the turmoil of the convention, the cash offer of the Birmingham group for the control of the holding company and the bank was quickly accepted by the Brotherhood's officers, who were in dire need of funds. The names of both enterprises were changed and while those in charge remained, identity with the Brotherhood and with labor banking became a matter of history.

The financial experience of this bank from its initiation in 1922 to its sudden elimination from the labor banking movement affords examples of several unfortunate circumstances which have been all too common in the movement. Despite the fact that the Brotherhood through its subsidiary, the Brotherhood Investment Company, invested heavily in the bank, the control of the institution's policies seems to have rested with the Southern group within the Brotherhood. This group was sufficiently strong politically to run the bank as they saw fit and to place the bank's funds in loans which they favored rather than in investments distributed by the central organization. It is reported that the earlier bank soon found itself in

[1] The Mitten plan included the formation of two companies. The Brotherhood of Locomotive Engineers Mitten Bank Corporation with a capital stock of $2,500,000 was to take over the banks controlled by the Brotherhood. The Investment Development Company with an authorized capital of $5,000,000 and proposed debentures of $20,000,000 was to take over the other Brotherhood enterprises. The plan called for a preliminary assessment of Brotherhood members of $2,130,000 and a continued liability on their part for ten years.

a frozen condition. In 1925, after the organization of the Engineers' Southern Securities Corporation, the original bank was liquidated and its business taken over by a new institution of four-fold size. To obtain the capital for the enlarged institution, the Engineers contracted with a New York stock-jobbing concern to pay a ten per cent commission and office expenses for the sale of Securities Corporation stock to the Birmingham community. The salesmen employed by the New York enterprise descended upon Birmingham like locusts and obtained a large number of subscriptions before the high-pressure tactics employed aroused general dissatisfaction and opposition from the local engineers. Thus the Securities Corporation started its career burdened with excessive organization expenses, while the reorganized bank had a doubtful asset in its affiliation with the parent organization. With but small labor support and insufficient contacts with the business community, the bank never secured enough deposits while a labor bank to warrant its overhead. A single dividend paid at the end of the year in which the bank was reorganized seems to have been declared for window-dressing purposes. From all appearances the bank and its sponsors were a self-sufficient entity within the financial community, once the capital for the enterprise had been obtained.

Although the Engineers' convention voted to withdraw from all financial enterprises, the tremendous total of the Brotherhood's commitments, the non-liquid character of practically all its assets, together with the lack of a strong policy and the existence of divided responsibility, slowed up the liquidation of the system almost to stagnation. The political interests of the new administration and the procrastination of the financial aides selected to clear up the tangled mass of enterprises prevented positive action for many months. Forceful pruning would have made the losses of the Brotherhood too

apparent to the rank and file and a fond hope that better returns could be secured by waiting was rationalized into policy. The members of the Brotherhood were called upon to pay as heavy an assessment as their loyalty would sustain and to lend further funds to stave off bankruptcy of the Brotherhood. The boat was kept above water while various nonbanking enterprises fell overboard, more or less by their own weight of debts or encumbrances. It was not until 1929, however, that the sale of the banks began again. Meanwhile these institutions plodded along with widely varying degrees of success, handicapped by the ignorance and political self-interest existing within the system.

During 1927 and 1928 several banks not connected with the Engineers' chain terminated their careers as labor institutions. The history of each of these banks offers salient points in the determination of potential weaknesses in labor bank policy. To avoid undue repetition, the circumstances surrounding each bank will be summarized but briefly with emphasis on the more unusual phases of their experience.

In the Pacific Southwest, three labor banks had been initiated by an ambitious group of promoters who included in their number several labor representatives. While the Brotherhood of Locomotive Engineers was not directly involved in this chain, through the dual interest of one of the chief participants and the activity of the local Brotherhood members, the headquarters at Cleveland was at least a source of inspiration and advice for the promoters of the banks. The unfortunate history of the largest of the group, the Los Angeles bank, has already been discussed. The banks in Bakersfield and San Bernardino, California, however, ceased to be labor banks under circumstances much less costly to their sponsors.

The most instructive lessons to be learned from the Bakersfield bank's history concern the promotion of the institution.

The bank's gradual shift from labor control resulted from early mistakes. At the time the promoters took over the bank in early 1924, it was on the verge of bankruptcy. The whole purchase price of one hundred forty thousand was requisitioned by the examiners to replace doubtful assets. The promoters secured from the former owner of the bank, a local holding company, a surety bond for fifty thousand dollars against further losses, and on the strength of this, guaranted any assessments required. It was planned to sell stock in the bank at an advance of ten dollars a share to the railroad men of the community, with the expectation of a good profit on the turnover. The bank was still in a desperate condition, however, and altogether three successive assessments of $93, $103, and $27 a share were ordered. After borrowing on the surety bond to meet these assessments, the promoters had to pay the balance from the profits on the sale of stock and from their own pockets. Even then the bank was not entirely clear of doubtful paper, so that the chances of dividends for some time to come were slight.

When the control of the bank passed to the labor group in February, 1924, a large board of directors was elected, which consisted almost entirely of the railroad men who had aided in the sale of the stock. Although these individuals knew little or nothing about banking, they soon realized the character of their new acquisition and their helplessness to develop it. After a futile period of disillusionment and inadequate management, the labor group lost interest. Later an experienced banker was brought in at the suggestion of the examiners, and from then on the labor character of the bank gradually disappeared. By the beginning of 1927 the control of the bank had passed to non-labor interests. Able management and directors with business experience have since then developed the bank into a thriving institution.

The group of promoters which became involved in the

Bakersfield and Los Angeles promotions had initiated another labor bank in San Bernardino, California, in 1922. For a time the three banks were more or less loosely drawn together through the organization by this same group of an enterprise called the Lincoln Holding Company, which placed a part of its funds in the stocks of the banks. Soon after its organization, this Company met with troubles of its own because of ill-advised investments, including that in the Los Angeles bank. It was forced to sell its stock in the labor institutions. The termination of the San Bernardino bank as a labor enterprise was partly due to this transfer of stock. The shift from labor control was gradual and culminated in May, 1928.

The San Bernardino bank, while under labor control, had had but indifferent success. No urge to keep it within the labor movement survived the first years and the stock gradually drifted to other hands. Its promoters had played to the gallery by declaring a total of eighteen and one-half per cent cash dividends and a fifteen per cent stock dividend within less than two years after opening the bank. After promises of early prosperity had thus been fulfilled, two years passed without dividends while necessary reserves for contingencies were being accumulated. A large board of labor directors proved a doubtful advantage. Little growth was experienced during the last three years of existence as a labor institution.

Two other banks in widely distant cities became divorced from the movement during this period. In New York, the bank founded by the International Ladies' Garment Workers in 1924, passed out of labor control as a result of circumstances arising within the union and a large frozen loan to the union by the bank. Early in its existence the bank had been forced to lend the union and its subdivisions a large sum of money which was later increased to $389,000, more than four-fifths of the bank's capital account. This loan was brought under the

law by the device of lending to the various subdivisions sums intended for use by the central organization. Stock in the bank and other collateral was given as security. The union was unable to repay the loan, however, on account of internal dissensions and heavy drains of funds during strikes and other demonstrations. The state banking department, which had been remarkably liberal, finally brought pressure to bear, with the outcome that the union was forced to give up its equity in the bank stock to secure funds to repay the loans. At first some of the stock was purchased by friendly individuals connected with the union, but when the funds thus released proved insufficient, larger blocks were sold to outsiders. By the end of 1927 the control of the bank had passed from the union and its adherents.[1]

The bank started its career with a heavy impairment of surplus and suffered considerable losses through the faulty judgment of its many labor directors. The manager of the bank was a trained banker whose early success in building up the bank was soon halted by the frozen character of the large loan to the union which had been increased over the manager's objection. The diversion of this large sum from the bank's free funds prevented growth in both loans and deposits. Labor support of the bank was poor and reliance had to be placed on neighborhood commercial business. The labor directors proved to be of little use in helping the bank and looked upon it as an enterprise subservient to their own political and collective bargaining activities. The radical group within the union gave both the bank and the union undesired publicity when suit was brought for the return of the bank stock and other collateral deposited with the bank as security for loans to certain union subdivisions. The radicals controlling these subdivisions sought

[1] *See The New York World*, March 17, 1928.

to evade responsibility for the loan when faced with loss of collateral.[1]

In Houston, Texas, another labor bank ended a career of indifferent success in September, 1928. This bank, the Labor Bank and Trust Company, was initiated in 1925 after an unfortunate false start in which promoters from Cleveland seem to have played the chief rôles. A merger of the bank with a larger institution was arranged and last reports indicate that the stockholders of the labor institution will receive liquidation dividends approximating sixty-five to seventy-five dollars a share on their paid-in investment of one hundred ten dollars. No dividends were paid by the bank during its three years of existence.

The Houston bank did not attain success and permanence for several reasons, of which many are those quite usual in the experience of other terminated banks. Labor support was poor. Good commercial accounts were secured with difficulty and those of a doubtful character were too much encouraged by labor directors little versed in banking. A former officer became disgruntled and, according to reports, turned his influence against the bank when checked by the experienced bank officer in charge. The running expenses of the bank were largely secured from real estate loans and service charges on checking accounts. Confidence in the bank was lessened by the unfortunate experiences preceding its promotion, its small size, and its lack of sufficient connections with the business and banking interests of Houston. Deposits barely reached four times the bank's capitalization and after the first eighteen months little growth took place. The active interest of a few capable men was insufficient to give the bank momentum under such handicaps.

[1] *Justice*, February 25, 1927, p. 1.

It was 1929 before the stagnation which existed in the Engineers' financial system was disturbed by positive action in disintegrating the system. The San Francisco bank, the last opened and probably the least successful and most expensive institution of the chain, with the exception of the New York bank, was barely existing during 1927 and 1928. Excessive overhead was eating into surplus, and approximately a hundred thousand dollars had been marked off. Negotiations were carried on in 1928 with a business group in the city, but insufficient funds could be assembled to permit the Engineers to turn over the institution to these local enterprisers. Meanwhile conditions facing the bank were most serious on account of untoward publicity, dissension, frozen assets, and the suspicions of other bankers of the city concerning the bank's stability. The liquidation of the Pacific Empire Company, an affiliated securities concern, in the summer of 1928 and the desperate condition of the Pacific Brotherhood Investment Company, the regional holding company, increased the tension surrounding the bank. The bank seemed unable to lift itself out of the paralysis which the Cleveland financiers and their representatives on the West Coast had brought on by their extravagance, irresponsibility, and faulty judgment. The local staff was powerless to act and the authorities in the East were busy elsewhere.

Finally, in February, 1929, a deal which had been in the air for some months was consummated. The Calitalo Investment Corporation, a recently organized financial enterprise, working through the Hellenic American Company with which it became merged, purchased the controlling block of stock from the Brotherhood group at seventy-five dollars a share—stock which had cost the Brotherhood holding company at least one hundred thirty. The purchasers were required to put a large sum of new funds into the bank to lift the large equip-

ment accounts of the bank and to take out a large block of Florida hotel bonds which had become quite frozen. The small stockholders are reported to be left in a better shape than the Brotherhood, since the present interests in the bank have given the institution a new lease on life.

The losers in this venture in labor finance were the many small savers, railroad men and laborers, mechanics and housewives who entrusted their limited accumulations with the Engineers' holding company. The control and responsibility were assumed by Stone's staff and successors; the funds were secured through high-pressure salesmanship from the credulous victims whom the Engineers' stock salesmen encountered on the West Coast as in many other parts of the country.

Little need be added concerning the reasons for the unfortunate history of this bank. There was no excuse for its initiation as a labor institution. San Francisco is a financial center rather than a pay-roll city and the Engineers had few contacts upon which to rely in developing the types of business necessary. The administrative personnel of the bank was made up in part of men who had been shifted along from other Engineers' banks, who had few connections in the city. Divided responsibility impaired efficiency and judgment. The bank was extravagantly equipped and yet poorly located on a side street. At the time of the bank's opening much canvassing secured a sum of deposits which dwindled almost immediately, never to be reached again. At the end of 1928 deposits stood at about three times the bank's capitalization, which was then sadly impaired. Altogether the San Francisco bank was more shell than reality. At great expense of other people's money the Engineers were able to keep up appearances for a little over two years.

The Calitalo Corporation, following its purchase of control of the San Francisco bank, extended its sphere of influence

over the affairs of the Pacific Brotherhood Investment Company. While this company was in a most serious financial condition, it had retained the voting rights over the stock in the remaining Brotherhood banks on the West Coast, although the stock itself had been transferred to Cleveland. The Calitalo group persuaded the local directors of the Pacific Company, who were little experienced in financial affairs, to permit them to order the company's policies. As a first step, negotiations leading to the transfer of the permanent control of the Seattle bank were begun. On May 15, 1929, a stockholders' meeting was held at which the authorized capital of that bank was doubled and its name changed to the *North Coast Bank and Trust Company*. It is the expectation of the Calitalo group, according to reports, to obtain a sufficient block of the stock of the bank to insure its permanent control of the institution. Unless those in charge of the Brotherhood interests at Cleveland intervene successfully, this seems a likelihood. There is reason to believe that the officers at Cleveland will not be able to block this move, since the Brotherhood's position in dealing with the Pacific Company is by no means strong. The Brotherhood's original investment in this company is said to have been but three thousand dollars, while its obligations to the company greatly exceeded this amount.

Although the Seattle bank was somewhat more successful than the San Francisco enterprise, its deposits had declined markedly since the Engineers' troubles became known in 1927. A considerable part of its relatively small deposits were city funds. There was little hope of building a thriving institution under Brotherhood control. Seattle had soon proved to be an unfortunate choice as a city in which to start a Brotherhood bank. Neither the Engineers nor their advisors showed sufficient genius or interest to retrieve this first error.[1]

[1] There is some doubt at the time of this writing as to the future control of

With these changes on the West Coast, the widespread banking system of the Engineers has become reduced to a few scattered banks. Even the Nottingham bank, which acted as a suburban branch of the Cleveland institution, has been sold back to local interests. Although this bank had grown considerably under Brotherhood control since 1922, it had paid no dividends. The close proximity of the headquarters bank had had a marked influence on the smaller institution, and its history was bound up in that of other developments at Cleveland.

In addition to the Portland and Tacoma banks, whose future situation is somewhat in doubt, there remain but the Boston and Minneapolis banks outside of Cleveland under Brotherhood control.[1] Negotiations for the transfer of the Boston bank are now in progress, however, and probably before September, 1929, this institution will have terminated its connection with the Engineers' system. This connection has proven a serious handicap to the bank and since 1927, especially, has influenced its growth. While the Engineers were able to secure an experienced and capable manager for the bank, this officer was

the Portland and Tacoma Brotherhood banks. To all practical purposes, the control of these institutions is temporarily, at least, within the sphere of influence of the Calitalo Corporation through its relations with the holding company. Most probably, the success of the Corporation in its San Francisco and Seattle ventures and the attitudes taken by the local directors of the Portland and Tacoma banks will determine the future of these banks. Notice of a meeting of the stockholders of the Portland bank has already been given and the stock of this bank will probably be doubled with a permanent shift in control. The Calitalo group has already indicated their intention to assume control of all the Engineers' Western ventures at some future time.

[1] The Labor National Bank of Three Forks, Montana, was virtually a part of the Brotherhood system for a considerable period on account of the large loans made to it by the Cleveland group, and the activity of local engineers in its administration. It was found necessary to reorganize the bank in 1926 and since that time it has had the character of an ordinary commercial bank serving a railroad and agricultural community. Approximately two-thirds of the stock of the bank has continued in the hands of local members of railroad organizations and no stock is held by the Brotherhood or its subsidiaries.

How long the Cleveland bank will remain under Brotherhood control, is a question which cannot be answered at this time.

handicapped from the beginning by the need to resist the demands of the Brotherhood officers and to offset the inexperience and indifference of local engineers. No dividends were paid, and in July, 1929, deposits were but little more than five times the bank's capitalization.

The Minneapolis bank, also, will probably separate itself from Brotherhood control. Negotiations for its sale were initiated in 1928 but up to July, 1929, no outcome had been reported. This bank has shown more growth than most of the Engineers' enterprises and for three years ending with 1927 paid dividends. Since 1927, the bank has maintained its deposits at about ten times its capitalization. Only a bare majority of the bank's stock has been held in Cleveland but the Engineers' officers have dominated its policies.

The conclusions to be drawn concerning the failures of banking policy which brought about the sale of most of the ten banks included in this fourth group of terminations, as well as the probable transfer of other banks, have been sufficiently monotonous to make an extensive summary of them unnecessary. Although the immediate causes of the sale of these banks have varied widely, few of the banks prospered under labor control. The extent to which labor control influenced the financial policies of the banks also differed. There is much reason to believe that the degree of success attained varied inversely to the extent labor directors and officers filled positions which should have been occupied by business men and trained bankers. Inability to secure business, frozen loans to friendly interests, and general instability, in different combination, were the most apparent handicaps which these banks acquired through the influence of labor groups or organizations upon their financial policies.

If there were need to reinforce the conclusions suggested in the preceding pages, the disastrous circumstances which sur-

rounded the promotions of two labor banks which never opened could be added. In Harrisburg, Pennsylvania, and Atlantic City, New Jersey, many trade unionists lost heavily through the mismanagement or untrustworthiness of men active in establishing labor banks. In Atlanta, Georgia, another institution on the fringes of the labor banking movement, ended in receivership. These and other border-line enterprises must be given some little weight in the estimation of the success of the labor banking movement from the banking point of view and in judging the movement must be set over against the successful banks earlier described.

CHAPTER TEN

# *THE SUCCESS OF THE MOVEMENT (LABOR STANDPOINT)*

## A. THE ATTAINMENT OF PURPOSES

IN AN earlier chapter, the motives and purposes underlying the labor banking movement were classified into five groups: business, protective, aggressive, cooperative, and psychological.[1] The contributions of the movement to the cause of labor can be studied with these motives in view insofar as the latter concerned the interests and prestige of the labor movement.

### 1. *Business returns*

The extent of the contribution of labor banking to the labor movement from the point of view of business returns has already been suggested in the previous chapter. If all the financial profits and losses accruing to labor organizations and their members could be computed and a net figure stated, probably little, if any, net return could be shown. The losses of the Engineers' banks and holding companies alone would go far to offset the profits of the dozen or more banks which have earned some dividends. Even *disregarding* the losses due to failures, impairments, and assessments in various banks, the many years during which some banks have paid no dividends bring down the average yield from all to a rate much less than could have been secured on a savings account.[2]

In the case of the banks which have paid dividends with any degree of regularity, stockholders' returns on paid-in invest-

[1] *See* Chapter III.
[2] *See* Chapter IX, especially pp. 231-4.

ment, averaged with the increase in book value of stock, have in but four or five institutions exceeded that easily obtainable on high-grade bonds, real estate mortgages, or similar safe investments. Although the yields of well-known city bank stocks are often low, trade unions have had no reason to be satisfied with the low yield returns received from labor banks, other than these four or five. While it may be argued that motives *other* than financial returns justify trade union investment in bank stock, there have been less than a dozen labor institutions which have been sufficiently successful to warrant any such argument. The risks and obligations involved in investing in banks, and the nonliquid character of bank stock in many instances, offset any indirect advantages secured to the trade union from a mediocre institution.

The yields on investment in the Hammond, New York Federation, Rogersville, and New York Amalgamated banks have been sufficient to satisfy the investment requirements of trade unions regardless of any non-financial returns.[1] A few other labor banks, as time passes, may bring up the yields to their stockholders sufficiently to justify the investments which trade unions have made in their stock. In only the most successful institutions can further use of trade union funds be warranted.

Some advantage has accrued to certain national unions through the financial advice obtained from the officers of the headquarters bank. Only where highly capable bank officers have been secured, however, has this advice been any better than that available at any high grade institution which the union might use. The officers of unsuccessful labor banks have not usually shown themselves capable of advising union treasurers, and in any case it would be better not to depend upon a single bank officer for the determination of both the bank's and

[1] *See* Appendix B, Part I.

the union's investments. The Engineers' experience is a case in point.[1]

Not only must this precaution be taken, but the temptation to keep a large part or all of the idle funds of the union in a subsidiary bank should be resisted. No labor bank is of sufficient importance to a national union that the latter can afford to risk *all* its funds on the continued success of the bank. The double liability of the union as stockholder would leave it in a serious predicament if the bank should fail. A national union is safeguarding both the depositors in its bank and the union, itself, more by depositing a part of its funds elsewhere than by concentrating them in the subsidiary institution.

A far surer method of obtaining sound investment advice than that of starting or continuing a mediocre banking institution is to retain the part-time services of the best investment counsel available.[2] Few laymen are prepared to invest wisely the funds of a large dues-paying organization. Neither the single executive officer of a small labor bank nor an inexperienced trade union treasurer should assume such a responsibility. Safety of principle and the assurance of good yield are more important to the trade union movement than the doubtful satisfaction of self-sufficiency.

2. *The protection of labor's interests*

The extent to which labor banking has protected the trade union movement from the assaults of open shop bankers is not easy to determine on account of the threat involved in the mere existence of a labor bank in a community. But the relative size of most labor banks compared to the other banking institutions in the same community limits greatly the effectiveness of this threat. The decreasing number of labor banks and the

[1] *See* Chapter IX.

[2] The New York Amalgamated bank employs an investment counselor to aid it in maintaining the quality of its investments.

few cities in which they have existed makes their influence all the more restricted. The wide publicity given the movement in its early years, however, afforded it power far in excess of its size in suggesting to old-line bankers the possibilities of counterattack should open tactics be used against organized labor. The open shop movement of the post-War years will probably not be repeated soon.[1] More subtle methods of opposing trade union organization have been evolved. The swing of the American labor movement toward cooperation with employers is too important a step for anti-union interests to revive such animosity as existed in 1921.

Altogether, the labor banking movement has done as much to expose "Labor" to the assaults of "Capital" as to protect it. The Engineers, through Stone and his successors, did more to injure the labor movement than any other trade union has ever done. The fight with the United Mine Workers over the Coal River Colleries is but one instance.[2] The impairment of the confidence of the rank and file in the sincerity of trade union leaders was far more serious. Before the 1927 convention, the officers of the Brotherhood went so far as to agree to a policy of dealing with the railroads which, regardless of its expediency, was contrary to the tenets of the rank and file of labor who would be affected by it. In the desperate plight in which the Engineers found themselves at this time, loyalty to the labor movement was set aside. The prestige which the Brotherhood had developed within the movement as a pioneer and leader in railroad organization was thrown upon the table as a pawn for financial help. Some of the leaders of the Brotherhood who approved this step lost courage when the time came to propose it to the convention delegates. Turning upon their colleagues, they made political capital of the proposal. The

[1] *See* Chapter II.
[2] *See* p. 149.

many published statements of Stone that the time had come for cooperation with capital to replace conflict had borne bitter fruit. Instead of peace and cooperation accompanied by self-respect and cautious strength on both sides, peace accompanied by partisan bickerings, financial disorganization and a disheartened membership have been the fate of the Engineers' Brotherhood.

Other failures in labor banking and finance have not been so serious to the cause of labor. This has been due mainly to the small size of the enterprises involved. It cannot be doubted, however, that the labor groups of Philadelphia, Pittsburgh, Los Angeles, Atlantic City, Harrisburg, Atlanta, and several other cities have suffered much from the financial misfortunes and the loss in prestige and harmony which have been incurred through labor banking.[1] On account of widespread publicity, the discouraging experiences of labor banks in these cities influenced the prestige of labor elsewhere.

Rather than *protecting* the labor movement against anti-union aggressions, the enterprises in these cities have exposed it to the charge of mismanagement and irresponsibility. This, without doubt, has reacted on both growth in membership and employer recognition. It has furnished ammunition for the attacks, not only of the opponents of labor organization but of the radical groups of this and other countries.[2] The American labor movement has probably been injured far more through the various failures in labor banking than through all the machinations of anti-union bankers.

3. *The advancement of labor's interests*

Labor banking was aimed to advance the cause of labor as well as to protect it. By means of loans to fair employers or

[1] *See* Appendix B, Parts II and III.

[2] *See* Chapter VI, pp. 134*ff*.

investments in their securities, union recognition and collective bargaining were to be promoted. The occasions upon which this has taken place in the many years of labor banking have been almost negligible. The New York Amalgamated bank alone has more than an instance or two to record. Even in the latter institution opportunities have been very few. If the success of labor banking is to be judged by its accomplishments in this respect, there must be serious doubt as to whether it has not been a flash in the pan. The bad loans made by one large unsuccessful bank, if saved to labor, would have done far more to advance the movement.[1]

The urgent need for safe and profitable investment of funds soon eliminated the hope that labor banks could loan their funds in a way to advance union recognition. No matter how much labor officials have tried to convince themselves and their constituents that this is possible, the experienced bankers they have employed in their banks realize the impossibility of more than a rare instance of such strategic lending. In general, the records of such loans, where actually made, have little to commend them to the responsible banker.[2] More candid and experienced labor officials have long since accepted the fact that this purpose of labor banking was good publicity rather than wise policy, to be fulfilled by the strongest banks alone under the most propitious and unusual circumstances.

4. *The promotion of cooperation*

It is in advancing the cooperative movement that more can be said for labor banking as an adjunct of the labor movement. Even here but few banks have made any contribution.[3] The Amalgamated banks, especially, have aided that class-conscious, mutual helpfulness which might serve more than any

[1] *See* Chapters V and VIII, pp. 108*ff*. and 202*ff*.
[2] *See* Chapter IX.
[3] *See* Chapters V and VIII, pp. 111-13 and 205-6.

other influence to make the American labor movement comparable to that in Great Britain. A few other banks have encouraged the growth of loyalty to the labor movement through their services to working people. Over against their efforts, however, must be set the distrust and discouragement brought about by the failures of some trade union ventures.

The officers of the Amalgamated Clothing Workers have followed the policy that their banks should be units in the whole group of services offered their members. The union and its chief purposes have been kept before the rank and file—not merely the financial success of the bank. That ability to subordinate the part to the whole which is essential to success in any social or economic enterprise has been more present in this organization than in most of those sponsoring labor banks.

Those banks which have foresworn direct interest in class cooperation have done so wisely in most instances. The American trade unionist is still too much an individualist to be ready to subordinate his financial interests and ambitions to those of his group. Where initiative in banking was confined to a small number of individuals, the promotion of the bank as an adjunct of the labor movement could well have been avoided. Once the enterprise was started, however, cooperative methods, if dangerous, were well discontinued. Such discontinuance, although aimed to safeguard the bank, largely eliminated any contribution to the labor movement through the development of cooperative endeavor.

### 5. *To secure prestige*

Prestige for the labor movement has been advanced by some participants as a contribution of labor banking. Where banks have been entirely successful, this may be true. But in those successful banks which have divorced themselves from the labor movement as a combative or class-conscious force, the

prestige which has accrued has been largely confined to that accorded to the labor representatives who as individuals have successfully turned their hands to banking. A few national unions can point with some pride to the bank which has been established at their headquarters. But in most cases the officers and not the rank and file have developed the bank. In locally sponsored banks, the part of each union has been so small that the few vigorous individuals who have developed the institution, rather than the local labor movement, have become the recipients of the praise due to its success.

On the other hand, the publicity given the marked success of a few labor banks cannot offset the disclosures of inefficiency and failure which have taken place. Taking the movement as a whole, the best that can be said is that these few successful banks have served valiantly to prevent too sweeping statements as to the abilities shown by American labor leaders in financial matters. Two organizations outside the American Federation of Labor have provided extremes of success and failure in the movement. Within the Federation ranks there has been a wide range, from the New York bank to that in Pittsburgh. But taken as a whole there is little reason to thank labor banking for advancing the prestige of the Federation or its constituent unions.

The net contribution of labor banking along the lines of its aims must therefore be considered but negligible. The success of no bank need be discounted in the slightest to give sanction to this evaluation. If any doubt exists, the by-products of labor banking in many instances lend further reasons for this judgment.

### B. LABOR BANKING AND UNION POLITICS

Within any popular movement politics is present. Within the trade union movement, politics is not only necessarily pres-

ent but is one of the most active forces. The tactics of the ambitious labor leader need no explanation to the American public for they are those in constant use in any democratically governed body. The fundamental premise of conflict which has existed in the labor movement has sharpened the technique of political strategy and has developed past masters in its use.

It was with this background of union politics that the labor banking movement developed. Unfortunately, instead of becoming a neutral ground, in many instances the bank became the bulwark or the weapon of those union leaders who were in power. To Stone and his colleagues, the Engineers' financial system afforded many pawns in the game of Brotherhood politics. Offices, loans, and commissions were arranged with an eye to advancing the party in power. Quarrels and bickerings arose and peace offerings became necessary. The convention of 1927 was but a *crescendo* in the discord which has continued. Since that time, whatever attempts have been made to reconstruct the Brotherhood's ventures and to indemnify the thousands of members and other wage-earners who have lost millions in them, have largely been vitiated by the self-interested partisanship existing in the Brotherhood. The rank and file of the Brotherhood, who have already paid heavily, will stand to lose further if through indifference stagnation continues.

Union politics has severely injured several locally sponsored labor banks. The Los Angeles bank was riddled with political bickerings, the Pittsburgh bank was blighted from the first, and there have been few unsuccessful banks which have not been affected. Financial enterprises were not only themselves affected, but through the positions and power afforded, they stimulated partisanship elsewhere in the movement to a higher pitch.

Two groups of labor banks have been able to withstand, at least in large part, the disrupting influence of politics. The

first includes those banks sponsored by strong national unions whose officers have been so highly respected or firmly entrenched because of their ability, that political strategy has been less active in the union and more quiescent in the bank. The second group includes those banks sponsored by many local unions or labor groups where either the large number of unions interested or the relative unimportance of the bank has kept it on the side lines in any union fight. Even in these cases, however, the bank has been peculiarly susceptible to the slander of the "outs," and the successful labor bank officer has been looked upon with jealous eyes by the minority groups in union or city federation politics.

Union politics has been instrumental in introducing in some labor banks the same efficiency which it has brought about in the sponsoring unions. Emphasis on personalities rather than results, unthinking loyalty to domineering leaders, time and energies wasted in useless talk, and unwillingness to take responsibility for thorough performance of hard work frequently color the picture of the mediocre or unsuccessful labor bank. If labor banks could be entirely divorced from unions in which such inefficiency exists, experienced bankers could establish their own standards of workmanship. As long as trade union control continues, however, unless the unions concerned improve their own methods of operation, the political interests of union officials will allow the deadening effect of inefficiency to be evident in the affiliated bank.[1]

### C. THE DIVERSION OF INTEREST AND FUNDS

Little need be said concerning the extent to which the Brotherhood of Locomotive Engineers has suffered as a trade union through the diversion of Brotherhood funds and the efforts

[1] *cf.* Wolman, Leo. "Ten Years of Labor Banking." *The New Republic*, August 21, 1929, pp. 10-12.

of Brotherhood officers into banking ventures. Not only have funds which could have been used to strengthen the bargaining power of the Brotherhood been dissipated, but insurance and pension reserves as well have been drained into losing ventures or frozen securities. The 1927 convention alone, which was long protracted on account of financial problems, cost the Brotherhood hundreds of thousands of dollars.

The diversion of the time and energies of officers into labor banking has taken place to some degree wherever a union, national or local, has become interested in a labor bank. Where banks have been successful, this diversion has proved worth while *to the extent* their success has advanced the cause of labor. Some national officers took precautions against such dangers and largely divorced themselves from the banks sponsored by their organizations. Where able bankers have been selected to manage the banks, this has proved highly desirable. But not all the bankers thus selected have been worthy of such trust, and the financial responsibility of the union has required interference by union officers. Only a few of the most successful banks have entirely avoided the danger of profitless encroachment upon the time and energy of the officers of sponsoring organizations.

The diversions of labor's funds into unsuccessful labor banks while serious, will soon be repaired, except where pension and insurance departments have suffered. The relative prosperity of American labor has given it far too much reserve for these losses to affect the movement more than slightly. The losses of individual members and of outside investors are more serious, but these seem quickly forgotten except by the losers, themselves.

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Like all movements which pioneer new fields of social endeavor, labor banking has passed through a cycle of growth and

decline. After ten years of experience, the elements of success and failure can be sifted and weighed. Labor's entrance into finance early caught the imagination of many students of social problems. The accomplishments of the successful labor banks have warranted the keen interest and enthusiasm they have aroused. As a permanent residual, their continued growth will permit further contributions to democratic banking. But it is the labor movement and its leaders who must consider gravely both the debits and the credits of the experiment. Without the most painstaking examination of the experiences of the past, a revival of the movement of the post-War years would be both dangerous and inexcusable.

# APPENDIX A

## STATISTICAL SUMMARY OF LABOR BANKING MOVEMENT

### Totals of Semiannual Statements of Condition, 1920–1929

| Date | Number of Banks | Capital | Surplus and Undivided Profits | Deposits | Total Resources |
|---|---|---|---|---|---|
| June 30, 1920 | 1 | $ 160,000 | $ 49,695 | $ 697,243 | $ 899,471 |
| December 29, 1920 | 2 | 960,000 | 192,446 | 2,258,561 | 3,628,867 |
| June 30, 1921 | 3 | 1,220,000 | 193,087 | 6,345,863 | 9,936,461 |
| December 31, 1921 | 4 | 1,280,000 | 255,869 | 9,970,961 | 12,782,173 |
| June 30, 1922 | 7 | 1,640,000 | 504,011 | 15,801,434 | 19,879,800 |
| December 29, 1922 | 10 | 2,050,473 | 742,689 | 21,901,641 | 26,506,723 |
| June 30, 1923 | 14 | 3,214,890 | 1,055,788 | 32,930,541 | 39,253,339 |
| December 31, 1923 | 18 | 4,222,230 | 1,353,022 | 43,324,820 | 51,496,524 |
| June 30, 1924 | 25 | 5,968,963 | 1,941,039 | 60,594,612 | 71,887,652 |
| December 31, 1924 | 26 | 6,441,267 | 1,891,757 | 72,913,180 | 85,325,884 |
| June 30, 1925* | 29 | 7,593,070 | 2,649,148 | 85,143,783 | 100,159,713 |
| December 31, 1925* | 36 | 9,069,072 | 3,467,829 | 98,392,592 | 115,015,273 |
| June 30, 1926 | 36 | 9,316,600 | 3,782,210 | 108,899,264 | 126,356,944 |
| December 31, 1926 | 35 | 8,914,508 | 3,837,377 | 108,743,550 | 126,533,542 |
| June 30, 1927 | 33 | 8,555,000 | 3,807,481 | 108,548,389 | 125,640,521 |
| December 31, 1927 | 32 | 8,282,500 | 3,747,176 | 103,290,219 | 119,818,416 |
| June 30, 1928 | 28 | 7,437,500 | 3,606,915 | 98,183,830 | 114,748,059 |
| December 31, 1928 | 27 | 7,537,500 | 3,821,205 | 98,784,369 | 116,307,256 |
| June 29, 1929 | 22 | 6,687,500 | 3,807,579 | 92,077,098 | 108,539,894 |

*Amalgamated Bank of Philadelphia not included.

# APPENDIX B

## HISTORICAL SUMMARIES OF INDIVIDUAL LABOR BANKS

PART I. *Labor Banks Continuing in Operation.*

PART II. *Labor Banks Which Have Been Discontinued.*

PART III. *Banks Sometimes Referred to as Labor Banks Which Were Not Labor Banks or Whose Connection with Labor Was Doubtful or Short-Lived.*

PART IV. *Proposed or Partially Promoted Labor Banks.*

PART V. *Labor Banks Reported as Proposed.*

# APPENDIX B

## I. LABOR BANKS CONTINUING IN OPERATION

NOTE: The summaries of the history, features, and statistics of the thirty-nine labor banks now or at one time in operation are based almost entirely on interviews on the ground or correspondence with the officers of the bank in question or with others in a position to have first-hand, accurate information. Every city in which a labor bank has operated has been visited to obtain these data. Correspondence has been maintained with every labor bank and, in many cases, with sponsoring organizations, during the four years in which this study has been in preparation. The statistics for statements of condition have been secured in almost every case from statements provided by the bank.

### ENGINEERS NATIONAL BANK OF BOSTON

BOSTON, MASSACHUSETTS

*Date of opening:* May 24, 1924.

*Charter:* National; bank. Name originally Brotherhood of Locomotive Engineers National Bank of Boston. Changed January, 1927, to Engineers National Bank of Boston.

*Ownership and control:* Controlling interest held jointly by B. of L.E. national organization and New England Brotherhood of Locomotive Engineers Securities Corporation. Ownership of stock originally limited to members of B. of L.E. and officers and directors of bank. Change in by-laws in February, 1927, removed limitation.

*Cooperative features:* Dividends on stock limited to ten per cent. Had policy of sharing profits with savings depositors. None paid.

*Relations with other banks:* Member of the Federal Reserve System but not of clearing house.

*Personnel:* The chairman of the board of directors and a vice-president were national officers of the B. of L.E.

*Affiliated corporations:* New England Brotherhood of Locomotive Engineers Securities Corporation and various Engineers' enterprises.

*General character of business:* Deposits predominately commercial.

BOSTON, MASSACHUSETTS. ENGINEERS NATIONAL BANK OF BOSTON

*Opened May 24, 1924*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | June 30 | $ 500,000 | $ 106,178 | $ 576,052 | $ 1,182,231 | — | — |
| | Oct. 10 | 500,000 | 129,970 | 1,081,443 | 1,811,424 | — | — |
| | Dec. 31 | 500,000 | 104,613 | 1,507,199 | 2,211,812 | — | — |

BOSTON, MASSACHUSETTES. ENGINEERS NATIONAL BANK OF BOSTON
*—Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | April 6 | 500,000 | 106,058 | 1,773,458 | 2,479,515 | — | — |
| | June 30 | 500,000 | 110,570 | 2,301,004 | 3,146,573 | — | — |
| | Sept. 28 | 500,000 | 100,000 | 2,573,748 | 3,382,356 | — | — |
| | Dec. 31 | 500,000 | 112,810 | 3,004,436 | 3,817,246 | — | — |
| 1926 | April 12 | 500,000 | 111,449 | 3,413,499 | 4,135,828 | — | — |
| | June 30 | 500,000 | 66,141 | 3,436,789 | 4,129,929 | — | — |
| | Dec. 31 | 500,000 | 76,363 | 3,550,176 | 4,388,631 | — | — |
| 1927 | Mar. 23 | 500,000 | 75,196 | 3,438,445 | 4,313,942 | — | — |
| | June 30 | 500,000 | 90,225 | 3,392,480 | 4,298,866 | — | — |
| | Oct. 10 | 500,000 | 92,818 | 2,816,882 | 3,721,786 | — | — |
| | Dec. 31 | 500,000 | 88,163 | 2,691,115 | 3,606,698 | — | — |
| 1928 | Feb. 28 | 500,000 | 86,278 | 2,578,731 | 3,519,317 | — | — |
| | June 30 | 500,000 | 72,095 | 2,833,020 | 3,732,132 | — | — |
| | Oct. 3 | 500,000 | 75,881 | 2,910,488 | 3,795,078 | — | — |
| | Dec. 31 | 500,000 | 71,260 | 3,127,743 | 4,017,269 | — | — |
| 1929 | Mar. 27 | 500,000 | 73,053 | 2,961,683 | 3,942,863 | — | — |
| | June 29 | 500,000 | 77,362 | 2,736,393 | 3,787,714 | — | — |

## AMALGAMATED TRUST AND SAVINGS BANK

CHICAGO, ILLINOIS

*Date of opening:* July 1, 1922.

*Charter:* State; bank and trust company. Trust services in process of organization.

*Ownership and control:* Amalgamated Clothing Workers of America (A.C.W.A.) and Chicago Joint Board own 1,100 shares and hold control. Joint Board owns more than A.C.W.A. Practically all remaining stock held by individual members, directors, and a few outsiders who are friends of the union. Individual holdings limited to ten shares. Stock can be resold only to another member or to repurchase committee. Committee buys and sells at price set periodically; $170 in 1928. There has been little change in distribution of stock. Some resale to Joint Board. Some reduction in number of stockholders.

*Cooperative features:* Stockholders' dividends limited to ten per cent on capital and paid-in surplus. Market price of stock controlled to eliminate rise through speculation. Payment of dividends to savings depositors a policy of bank. None paid.

*Special services:* Small loan business is emphasized. Loans on endorsement of a depositor. Interest at approximately six per cent deducted at start. Practically no loss experienced. Repayments in ten monthly installments.[1]

[1] Amalgamated Clothing Workers, *Report of The General Executive Board*, 1926–28, p. 102.

Prior to 1926, bank was open until 8 p.m., Tuesdays, and 5 p.m., Saturdays; Tuesday hours shortened to 6:30 p.m. Extra tellers at noon.

Limited business in banking by mail. Some deposits received from liberal sympathizers throughout country.

Foreign remittances important service of the New York and Chicago Amalgamated banks. The A.C.W.A., through the Russian-American Industrial Corporation has an agreement with the Russian Commercial and Industrial Bank at Moscow, known as the Prombank, by which it is possible for the Amalgamated banks to send their remittances to Soviet Russia in American dollars. This eliminates loss due to depreciation in Russian currency during the period of transmission. At the time of the organization of this service, it was practically impossible to send money into Russia by any other means without the possibility of heavy loss. Since many workers in the clothing industry have connections in Russia, bank's arrangement for transmission of funds proved a valuable service.

Investment advice and sale of securities on request.

Bank has done extensive business in first mortgages. Favors these as proper security for investors of moderate means. Amalgamated Securities Company organized to issue second mortgages on property where first mortgage handled by bank, and to furnish safe investments.[1]

*Relations with other banks:* Not member of Federal Reserve System. Member of the Chicago Clearing House.

*Personnel:* Fifteen directors, of whom three have had previous experience. Seven are A.C.W.A. officers; five, business men; three, attorneys. Also, an advisory board helps with new business. Tendency to elect to board of directors business men favorable to the labor movement.

Five officers, all full time. Two have had previous banking experience. One (vice-president) is an A.C.W.A. officer who acts as liaison officer between bank and membership.

Thirty-five employees; unionized.

*Affiliated corporations:* Amalgamated Securities Company.

*General character of business:* Deposits about fifty-one per cent savings. Thirty per cent of depositors are A.C.W.A. members. About five per cent are members of other trade unions. Some support from liberal groups.

[1]Amalgamated Clothing Workers, *Report of The General Executive Board*, 1926-28, p. 102.

CHICAGO, ILLINOIS. AMALGAMATED TRUST AND SAVINGS BANK

*Opened July 1, 1922*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1922 | Sept. 15 | $ 200,000 | $ 100,000 | $ 991,411 | $ 1,291,411 | — | — |
| 1923 | Jan. 2 | 200,000 | 100,644 | 1,165,078 | 1,466,725 | — | — |
| | April 3 | 200,000 | 101,371 | 1,469,014 | 1,803,754 | — | — |
| | June 30 | 200,000 | 112,568 | 2,232,627 | 2,572,462 | — | — |
| | Sept. 14 | 200,000 | 112,567 | 2,076,997 | 2,455,924 | — | — |
| | Dec. 31 | 200,000 | 116,246 | 1,948,853 | 2,498,616 | — | — |
| 1924 | Mar. 31 | 200,000 | 117,705 | 1,916,351 | 2,257,302 | — | — |
| | June 30 | 200,000 | 121,436 | 2,221,635 | 2,571,188 | — | — |
| | Oct. 10 | 200,000 | 128,742 | 2,334,945 | * | — | — |
| | Dec. 31 | 200,000 | 135,130 | 2,444,247 | 2,816,117 | — | — |
| 1925 | April 6 | 200,000 | 140,371 | 2,597,411 | 2,976,403 | — | — |
| | June 30 | 200,000 | 134,722 | 2,764,038 | 3,125,862 | — | — |
| | Sept. 28 | 200,000 | 142,030 | 2,694,295 | 3,076,333 | — | — |
| | Dec. 31 | 200,000 | 147,441 | 2,586,116 | 2,951,637 | — | — |
| 1926 | Apr. 12 | 200,000 | 147,399 | 2,932,503 | 3,311,208 | Mar. 31 | 1½% |
| | June 30 | 200,000 | 155,555 | 3,102,215 | 3,484,183 | June 30 | 1½% |
| | | | | | | Sept. 30 | 1½% |
| | Dec. 31 | 200,000 | 159,645 | 2,837,296 | 3,460,024 | Dec. 31 | 1½% |
| 1927 | Mar. 23 | 200,000 | 164,764 | 3,062,257 | 3,447,116 | Mar. 31 | 1½% |
| | June 30 | 200,000 | 157,162 | 3,053,308 | 3,449,195 | June 30 | 1½% |
| | Oct. 10 | 200,000 | 153,292 | 3,016,007 | 3,400,558 | Sept. 30 | 1½% |
| | Dec. 31 | 200,000 | 158,324 | 3,077,356 | 3,460,024 | Dec. 31 | 1½% |
| 1928 | Mar. 31 | 200,000 | 144,125 | 3,138,438 | 3,513,724 | Mar. 31 | 1½% |
| | June 30 | 200,000 | 142,175 | 3,129,408 | 3,493,885 | June 30 | 1½% |
| | Oct. 3 | 200,000 | 148,306 | 3,017,599 | 3,403,032 | Sept. 30 | 1½% |
| | Dec. 31 | 200,000 | 159,368 | 2,959,739 | 3,363,215 | Dec. 31 | 1½% |
| 1929 | Mar. 27 | 200,000 | 160,164 | 3,209,649 | 3,636,098 | April 1 | 1½% |
| | June 29 | 200,000 | 160,844 | 3,329,833 | 3,756,301 | July 1 | 1½% |

*Not available.

## BROTHERHOOD OF RAILWAY CLERKS NATIONAL BANK

CINCINNATI, OHIO

*Date of opening:* December 15, 1923.

*Charter:* National; bank.

*Promotion and organization:* Initiative by union officers. Stock paid for in installments.

*Ownership and control:* Brotherhood of Railway Clerks (B. of R.C.) owns fifty-one per cent of stock. Balance by members of B. of R.C., local unions, and business men. No limit on the size of individual holdings. Minority stock scattered.

Capital increased early in 1929 from $200,000 to $400,000 and surplus from $50,000 to $100,000.

*Cooperative features:* Stockholders' dividends limited to ten per cent.

Some doubt reported as to effectiveness of limitation if larger dividends available. Payment of dividends to savings depositors stated policy of bank. None have been paid.

*Special services:* Bank has special department for handling character loans. Two comakers required. Six per cent interest and two per cent investigation fee charged. No interest deduction for installment repayments except in case of regular installments over long period.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Earlier board of directors had twenty members including many officers of B. of R.C.; now reduced to twelve, of whom three are B. of R.C. officers, and one an A.F. of L. officer. Tendency to elect leading business and professional men.

Eleven officers at first; now six, of whom four are active (president, cashier, and two assistant cashiers). President of B. of R.C. was president of bank from December, 1923, to May, 1924. B. of R.C. convention in 1925 ruled that no officer of union could also be officer of bank.

*General character of business:* Deposits predominately savings.

CINCINNATI, OHIO. THE BROTHERHOOD OF RAILWAY CLERKS NATIONAL BANK

*Opened December 15, 1923*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | Dec. 31 | $ 165,000 | $ 50,000 | $ 646,009 | $ 911,009 | — | — |
| 1924 | Mar. 31 | 200,000 | 50,000 | 1,163,451 | 1,463,451 | — | — |
| | June 30 | 200,000 | 50,000 | 1,834,648 | 2,294,648 | — | — |
| | Oct. 10 | 200,000 | 50,000 | 2,611,632 | 3,117,243 | — | — |
| | Dec. 31 | 200,000 | 54,734 | 2,856,982 | 3,419,101 | — | — |
| 1925 | April 13 | 200,000 | 58,316 | 3,139,531 | 3,606,746 | — | — |
| | June 30 | 200,000 | 58,149 | 2,909,318 | 3,529,115 | — | — |
| | Sept. 28 | 200,000 | 50,000 | 3,155,200 | 3,614,265 | — | — |
| | Dec. 31 | 200,000 | 50,000 | 3,260,385 | 3,720,431 | — | — |
| 1926 | April 12 | 200,000 | 50,000 | 3,842,783 | 4,296,679 | — | — |
| | June 30 | 200,000 | 50,000 | 3,811,756 | 4,271,567 | — | — |
| | Dec. 31 | 200,000 | 58,004 | 3,788,110 | 4,254,936 | — | — |
| 1927 | Mar. 23 | 200,000 | 60,939 | 4,246,782 | 4,745,522 | — | — |
| | June 30 | 200,000 | 62,859 | 4,231,603 | 4,768,627 | — | — |
| | Oct. 10 | 200,000 | 73,753 | 4,422,351 | 4,918,406 | — | — |
| | Dec. 31 | 200,000 | 73,472 | 4,093,911 | 4,703,434 | — | — |
| 1928 | Feb. 28 | 200,000 | 76,375 | 4,475,604 | 5,035,231 | Jan. 10 | 2% |
| | June 30 | 200,000 | 93,794 | 4,507,582 | 5,274,641 | June 30 | 2% |
| | Oct. 3 | 200,000 | 72,124 | 4,668,904 | 5,199,999 | — | — |
| | Dec. 31 | 200,000 | 80,278 | 4,657,944 | 5,361,537 | — | — |
| 1929 | Mar. 27 | 200,000 | 89,046 | 4,879,359 | 5,506,319 | Jan. 2 | 2% |
| | June 29 | 400,000 | 150,333 | 4,307,998 | 5,445,275 | July 10 | 2% |

## ENGINEERS NATIONAL BANK OF CLEVELAND

CLEVELAND, OHIO

*Date of opening:* November 1, 1920.

*Charter:* National; bank and trust company. Name originally Brotherhood of Locomotive Engineers Co-operative National Bank. Changed February, 1928, to Engineers National Bank of Cleveland. Branch at Broadway and East Fifty-fifth Street, Cleveland.

*Promotion and organization:* Initiative by officers of the Brotherhood of Locomotive Engineers (B. of L.E.) with the advice of W. F. McCaleb, F. C. Howe, and other bankers. Banking resolution proposed at B. of L.E. convention in 1912. Bank authorized by 1915 convention. Stock originally sold at $110 a share.

*Ownership and control:* B. of L.E. reported to own about sixty per cent of the stock at present. Remainder held by members of B. of L.E. and directors and officers of the bank. Individual holdings limited to three shares except in case of directors. Stockholders desiring to sell must give B. of L.E. first option. Stock previously confined to B. of L.E. members; now possible for others to hold stock.

*Cooperative features:* Stockholders' dividends limited in by-laws to ten per cent. Dividends to savings depositors authorized in by-laws at discretion of board of directors. Dividends of one-half of one per cent paid semiannually during 1921, 1922, 1923, 1924, and first half of 1925. None paid since.

*Special services:* Bond department featured sales of securities to engineers and others by salesmen or by mail.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Fifteen directors, of whom three are B. of L.E. officers. Tendency to elect business men and public officials as directors.

Seventeen officers. President is grand chief engineer of B. of L.E. Until B. of L.E. convention in 1927, bank and Brotherhood had several officers in common; since 1927 president only bank officer who is also B. of L.E. officer.

Ten employees at start; 157 in 1925; 109 in 1928. Not unionized.

*Affiliated corporations:* Brotherhood Holding Company, Brotherhood Investment Company, Brotherhood of Locomotive Engineers Realty Corporation, and other B. of L.E. investment organizations, including former New York Empire Company and its successors. Recent ruling of the board of directors forbids bank's taking B. of L.E. securities.

*General character of business:* Approximately forty per cent of deposits are commercial and sixty per cent savings. About 33,000 savings depositors and 450 commercial depositors. Approximately seventeen

per cent of depositors are trade union members. Bank has some three millions in mail deposits, mostly from railroad men.

CLEVELAND, OHIO. ENGINEERS NATIONAL BANK OF CLEVELAND

*Opened November 1, 1920*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS* DATE | RATE PAID |
|---|---|---|---|---|---|---|---|
| 1920 | Dec. 29 | $ 800,000 | $ 100,000 | $ 1,009,880 | $ 2,002,820 | — | — |
| 1921 | April 28 | 1,000,000 | 100,000 | 4,443,717 | 6,830,760 | — | — |
| | June 30 | 1,000,000 | 123,121 | 4,754,504 | 7,807,151 | — | — |
| | Sept. 6 | 1,000,000 | 168,109 | 5,609,292 | 8,025,402 | — | — |
| | Dec. 31 | 1,000,000 | 171,264 | 7,883,450 | 10,193,383 | Dec. 31 | 6% |
| 1922 | Mar. 10 | 1,000,000 | 227,609 | 11,431,839 | 13,911,680 | — | — |
| | June 30 | 1,000,000 | 353,317 | 11,633,267 | 14,794,404 | — | — |
| | Sept. 15 | 1,000,000 | 283,301 | 13,782,316 | 16,534,726 | — | — |
| | Dec. 29 | 1,000,000 | 351,812 | 15,480,657 | 18,262,697 | Dec. 31 | 10% |
| 1923 | April 3 | 1,000,000 | 237,017 | 18,284,810 | 20,796,963 | — | — |
| | June 30 | 1,000,000 | 283,604 | 19,587,898 | 22,333,761 | — | — |
| | Sept. 14 | 1,000,000 | 304,808 | 20,843,417 | 23,474,111 | — | — |
| | Dec. 31 | 1,000,000 | 290,134 | 21,453,324 | 24,112,531 | Dec. 31 | 10% |
| 1924 | Mar. 31 | 1,000,000 | 508,293 | 23,698,197 | 26,544,328 | — | — |
| | June 30 | 1,000,000 | 336,213 | 26,016,688 | 28,134,294 | — | — |
| | Oct. 10 | 1,000,000 | 568,170 | 24,993,302 | 27,839,758 | — | — |
| | Dec. 31 | 1,000,000 | 66,933 | 23,601,082 | 25,814,443 | Dec. 31 | 10% |
| 1925 | April 6 | 1,000,000 | 334,284 | 24,611,030 | 27,020,953 | — | — |
| | June 30 | 1,000,000 | 344,498 | 25,506,832 | 28,082,841 | — | — |
| | Sept. 28 | 1,000,000 | 319,900 | 24,724,906 | 27,253,444 | — | — |
| | Dec. 31 | 1,000,000 | 282,271 | 24,488,176 | 26,660,320 | Dec. 31 | 10% |
| 1926 | April 12 | 1,000,000 | 341,781 | 24,857,178 | 27,312,227 | — | — |
| | June 30 | 1,000,000 | 350,645 | 24,487,498 | 26,760,228 | — | — |
| | Dec. 31 | 1,000,000 | 398,274 | 23,172,822 | 25,463,675 | Dec. 31 | 10% |
| 1927 | Mar. 23 | 1,000,000 | 461,740 | 22,369,927 | 24,917,471 | — | — |
| | June 30 | 1,000,000 | 458,016 | 21,412,426 | 23,788,824 | — | — |
| | Oct. 10 | 1,000,000 | 342,234 | 15,766,626 | 18,141,971 | — | — |
| | Dec. 31 | 1,000,000 | 354,915 | 16,632,781 | 18,855,046 | Dec. 31 | 7% |
| 1928 | Feb. 28 | 1,000,000 | 362,906 | 16,037,638 | 18,324,287 | — | — |
| | June 30 | 1,000,000 | 359,956 | 16,780,115 | 20,154,680 | June 30 | 2½% |
| | Oct. 3 | 1,000,000 | 308,963 | 16,567,895 | 19,587,021 | — | — |
| | Dec. 31 | 1,000,000 | 333,033 | 16,529,127 | 19,879,809 | — | — |
| 1929 | Mar. 27 | 1,000,000 | 337,672 | 16,640,772 | 19,941,726 | Jan. 1 | 2½% |
| | June 29 | 1,000,000 | 357,810 | 16,923,800 | 20,081,540 | June 29 | 2½% |

*A dividend at the rate of one per cent annually was paid to savings depositors in 1921, 1922, 1923, 1924, and the first half of 1925.

## GARY LABOR BANK

GARY, INDIANA

*Date of opening:* October 24, 1925.

*Charter:* State; bank and trust company. Trust functions operative only to small extent.

*Promotion and organization:* Initiative by officers and members of local trade unions, particularly building trades. Stock sold through personal solicitation without commissions.

*Ownership and control:* Trade union organizations own approximately 200 of the 500 shares, distributed as follows: Carpenters, 25 shares; Plumbers, 25 shares; Bricklayers, 25 shares; Painters, 25 shares; Teamsters, 20 shares; other unions, scattered holdings. Trade union members own about 200 shares individually and outsiders, about 100 shares. Stock holdings limited to twenty-five shares each by trade union groups or members and five shares each by outsiders. Repurchase agreement in effect and sales approved by a committee. Have been few transfers.

*Cooperative features:* Dividends to stockholders have never been limited. Payment of dividends to savings depositors not policy of bank.

*Special services:* Small loans made for thirty, sixty, or ninety days at seven per cent. Two signatures required, one by owner of Gary real estate. No formal installment repayment plan but bank encourages informal partial payments. Loaned on veterans' adjusted service certificates.

*Relations with other banks:* Not a member of Federal Reserve System nor of clearing house.

*Personnel:* Seven directors, two with previous experience. Five trade union representatives on the board. No tendency to elect business men.

Three officers, of whom two are active (vice-president and cashier, and assistant cashier). President is trade union officer; other two, bankers.

Ten employees; unionized.

*General character of business:* Deposits about half savings and half commercial. All local trade union groups and about forty per cent of members deposit in bank. Approximately twenty-five per cent of bank's funds are invested in first mortgage loans and twenty-five per cent in bonds.

GARY, INDIANA. GARY LABOR BANK

*Opened October 24, 1925*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | Dec. 31 | $ 50,000 | $ 10,000 | $ 117,227 | $ 177,222 | — | — |
| 1926 | April 12 | 50,000 | 10,000 | 246,613 | 312,094 | — | — |
| | June 30 | 50,000 | 10,000 | 357,485 | 418,148 | — | — |
| | Dec. 31 | 50,000 | 11,346 | 480,445 | 577,430 | — | — |

GARY INDIANA. GARY LABOR BANK

—*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1927 | Mar. 23 | 50,000 | 11,603 | 452,383 | 561,927 | — | — |
| | June 30 | 50,000 | 11,734 | 497,741 | 606,132 | — | — |
| | Oct. 10 | 50,000 | 11,796 | 539,294 | 640,229 | — | — |
| | Dec. 31 | 50,000 | 12,008 | 542,357 | 647,067 | — | — |
| 1928 | Feb. 28 | 50,000 | 12,427 | 534,049 | 684,456 | — | — |
| | June 30 | 50,000 | 12,643 | 627,130 | 759,892 | — | — |
| | Oct. 3 | 50,000 | 12,240 | 617,350 | 804,895 | — | — |
| | Dec. 31 | 50,000 | 13,429 | 599,252 | 790,585 | — | — |
| 1929 | Mar. 27 | 50,000 | 13,755 | 586,522 | 785,431 | — | — |
| | June 29 | 50,000 | 13,233 | 663,174 | 817,778 | — | — |

## THE LABOR NATIONAL BANK OF GREAT FALLS

GREAT FALLS, MONTANA

*Date of transfer to trade union control:* April 4, 1924.

*Charter:* National; bank.

*Promotion and organization:* Several banks in Great Falls had closed during depression of 1920 to 1922, when members of Central Trades Council became interested in idea of labor bank through reading of Cleveland bank. Railroad labor group most active in organization. Purchased Northern National Bank of Great Falls. Stock sold directly by committees of unions interested. Stock paid for in installments.

*Ownership and control:* Stock held by individual trade union members rather than by union organizations. Engineers' group owns about twenty per cent and firemen, conductors, and trainmen each own somewhat less. About ten per cent scattered among members of other unions. Outside public owns about twenty-five per cent, including stock held over from Northern National Bank. No binding restriction concerning size of individual stock holdings; generally felt that no one person should acquire more than ten shares. Repurchase agreement in by-laws gives bank thirty days' option at price not in excess of book value.

*Cooperative features:* By-laws limit stockholders' dividends to ten per cent on par. No apparent feeling that limitation should be removed. Dividends to savings depositors permissive. None paid.

*Special services:* Small loans approved by committee of directors. Two signatures or endorsements required. Interest charged at eight per cent. Installment repayments in case of larger loans. Experience with small loans has been favorable.

Bank open until 5 p.m. on Great Northern pay days. No objection to this from other banks, since it relieves them from cashing many checks.

*Relations with other banks:* Member of Federal Reserve System and of clearing house.

*Personnel:* Five directors. Five officers, of whom three are active (president, cashier, and assistant cashier). Two bank officers are also trade union officers. Active officers have had previous banking experience. Four employees; not unionized.

*General character of business:* Deposits are about half commercial and half savings. Labor support good.

GREAT FALLS, MONTANA. THE LABOR NATIONAL BANK OF GREAT FALLS

*Transferred April 4, 1924*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | June 28 | $ 100,000 | $ 8,250 | $ 177,138 | $ 288,631 | — | — |
| | Oct. 10 | 100,000 | 4,332 | 279,496 | 383,828 | — | — |
| | Dec. 31 | 100,000 | 9,542 | 356,917 | 466,459 | — | — |
| 1925 | April 6 | 100,000 | 9,105 | 357,900 | 468,587 | — | — |
| | June 30 | 100,000 | 10,595 | 361,746 | 474,727 | — | — |
| | Sept. 28 | 100,000 | 7,456 | 365,563 | 473,196 | — | — |
| | Dec. 31 | 100,000 | 7,949 | 424,115 | 534,866 | — | — |
| 1926 | April 12 | 100,000 | 10,454 | 431,996 | 543,111 | — | — |
| | June 30 | 100,000 | 14,147 | 439,024 | 553,392 | — | — |
| | Dec. 31 | 100,000 | 18,755 | 549,397 | 668,152 | — | — |
| 1927 | Mar. 23 | 100,000 | 14,373 | 532,925 | 648,064 | Jan. 12 | 6% |
| | June 30 | 100,000 | 15,685 | 560,660 | 677,376 | — | — |
| | Oct. 10 | 100,000 | 16,289 | 622,047 | 740,257 | — | — |
| | Dec. 31 | 100,000 | 21,280 | 622,963 | 746,322 | — | — |
| 1928 | Feb. 28 | 100,000 | 16,339 | 636,739 | 755,732 | Jan. 11 | 6% |
| | June 30 | 100,000 | 19,286 | 699,892 | 822,178 | — | — |
| | Oct. 3 | 100,000 | 20,392 | 795,415 | 919,248 | — | — |
| | Dec. 31 | 100,000 | 25,440 | 767,845 | 909,603 | — | — |
| 1929 | Mar. 27 | 100,000 | 24,181 | 749,066 | 876,247 | Jan. 9 | 6% |
| | June 29 | 100,000 | 24,131 | 696,154 | 823,285 | — | — |

## PEOPLES CO-OPERATIVE STATE BANK

HAMMOND, INDIANA

*Date of transfer to trade union control:* November 1, 1921.

*Charter:* State; bank.

*Promotion and organization:* B. of L.E. national organization purchased fifty and one-half per cent of stock of the Peoples State Bank, which

had been established in 1920 by A. J. Marko and business associates. Paid $110 a share. Capital increased from $30,000 to $50,000. Former stockholders allowed three shares each. Marko remained as active officer.

*Ownership and control:* From November 1, 1921 to May, 1926, controlled by B. of L. E. Minority stock held by about eight local unions and one hundred individuals, majority of whom union members. Individual holdings limited to three shares.

In May, 1926, group headed by A. J. Marko purchased controlling interest in stock from B. of L.E. at $200 a share. Following a stock dividend of thirty-three and one-third per cent, shares thus bought were resold to labor group at $140. Additional stock sold to bring capital up to $100,000. Local unions and members now own about sixty per cent of stock; business men, including A. J. Marko, forty per cent. Limitation on individual holdings removed. Repurchase committee passes on sales. Very little turnover.

*Cooperative features:* Stockholders' dividends limited in by-laws to ten per cent. Provision for dividends to savings depositors in by-laws. Has paid one per cent to savings depositors each year after 1921, including 1928.

*Special services:* Small loans of fifty to one hundred dollars made for ninety days. Two signatures required; wife's signature in addition if man married. One renewal of half sum permitted. Seven per cent interest charged. Bank open Saturday 9 a.m. to 8 p.m.; other banks in Hammond now open same hours.

*Relations with other banks:* Not a member of Federal Reserve System nor of clearing house.

*Personnel:* Twelve directors. Seven trade union representatives, of whom two are trade union officers. Five business men. Rotation of trade union directors. Can report in full to unions except names of borrowers. During 1923 and 1924, three or four members of board of directors were B. of L.E. national officers.

Five officers, one of whom has had previous experience. Two officers are active (cashier and assistant cashier). Two are trade union officers.

Thirteen employees; not unionized.

*General character of business:* Twenty-five per cent of bank's deposits from trade union organizations and members. A third of bank's deposits placed in real estate loans. General community savings and commercial business.

HAMMOND, INDIANA. PEOPLES CO-OPERATIVE STATE BANK

*Transferred November 1, 1921*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS* DATE | RATE PAID |
|---|---|---|---|---|---|---|---|
| 1921 | Dec. 31 | $ 50,000 | $ 5,330 | $ 165,912 | $ 226,871 | — | — |
| 1922 | Mar. 10 | 50,000 | 7,167 | 242,061 | 303,324 | — | — |
| | June 30 | 50,000 | 11,882 | 311,979 | 394,369 | — | — |
| | Sept. 15 | 50,000 | 16,331 | 357,240 | 449,483 | — | — |
| | Dec. 29 | 50,000 | 19,504 | 491,788 | 596,247 | Dec. 31 | 7% |
| 1923 | April 3 | 50,000 | 13,742 | 729,640 | 812,111 | — | — |
| | June 30 | 50,000 | 20,140 | 899,792 | 1,009,015 | July 1 | 4% |
| | Sept. 14 | 50,000 | 27,843 | 1,053,805 | 1,139,458 | — | — |
| | Dec. 31 | 50,000 | 28,732 | 1,168,291 | 1,253,641 | Dec. 31 | 5% |
| 1924 | Mar. 31 | 50,000 | 27,051 | 1,249,863 | 1,344,909 | — | — |
| | June 30 | 50,000 | 35,338 | 1,285,147 | 1,391,810 | July 1 | 5% |
| | Sept. 15 | 50,000 | 38,973 | 1,313,365 | 1,449,456 | — | — |
| | Dec. 31 | 50,000 | 28,276 | 1,355,278 | 1,539,493 | Dec. 31 | 5% |
| 1925 | April 6 | 50,000 | 28,264 | 1,456,881 | 1,629,788 | — | — |
| | June 30 | 50,000 | 28,264 | 1,582,356 | 1,783,432 | July 1 | 5% |
| | Sept. 28 | 50,000 | 35,882 | 1,658,874 | 1,831,926 | — | — |
| | Dec. 31 | 50,000 | 35,882 | 1,547,113 | 1,765,017 | Dec. 31 | 5% |
| 1926 | April 12 | 50,000 | 35,377 | 1,472,438 | 1,633,454 | — | — |
| | June 30 | 100,000 | 25,124 | 1,606,695 | 1,779,413 | June 1 | 33⅓%† |
| | Dec. 31 | 100,000 | 36,922 | 1,716,757 | 1,901,777 | Dec. 31 | 6% |
| 1927 | Mar. 23 | 100,000 | 41,559 | 1,671,453 | 1,859,344 | — | — |
| | June 30 | 100,000 | 40,612 | 1,683,271 | 1,871,319 | July 5 | 5% |
| | Oct. 10 | 100,000 | 43,502 | 1,805,158 | 1,986,426 | — | — |
| | Dec. 31 | 100,000 | 43,482 | 1,689,688 | 1,896,126 | Dec. 31 | 5% |
| 1928 | Feb. 28 | 100,000 | 40,979 | 1,651,663 | 1,863,942 | — | — |
| | June 30 | 100,000 | 45,412 | 1,705,643 | 1,933,634 | July 1 | 5% |
| | Oct. 3 | 100,000 | 46,627 | 1,730,121 | 1,958,677 | — | — |
| | Dec. 31 | 100,000 | 45,465 | 1,796,118 | 2,029,487 | Dec. 31 | 5% |
| 1929 | Mar. 27 | 100,000 | 44,277 | 1,818,404 | 2,129,385 | — | — |
| | June 29 | 100,000 | 42,577 | 1,837,379 | 2,157,494 | June 29 | 4% |

*A dividend at the rate of one per cent annually was paid to savings depositors each year beginning with 1922.

†Stock dividend.

## UNITED LABOR BANK AND TRUST COMPANY

### INDIANAPOLIS, INDIANA

*Date of opening:* January 2, 1924.

*Charter:* State; bank and trust company.

*Promotion and organization:* Plan for bank originated with promoters from outside, who attempted to interest B. of L.E. national organization but failed. Succeeded in interesting officers of city federation.

Original intention to sell $1,000,000 capital stock. Labor investors, perturbed by delay in opening bank, appealed to John L. Lewis, president, United Mine Workers of America, to sponsor bank. He did so on condition that he have authority to select manager of bank. F. C. Bell, experienced banker, appointed. Further sale of stock stopped. Promoters received ten per cent commission. Stock paid for on installment plan.

Capital reduced late in 1927 from $225,000 to $112,500. Forty per cent of original investment returned to stockholders and $22,500 placed in surplus.

*Ownership and control:* Approximately sixty per cent of stock owned by about one hundred local labor organizations and their members and forty per cent by outside public. Original subscriptions largely from outside public. According to understanding reached, organizing group returned enough of public subscriptions to leave labor in control. No other restriction on ownership. No restriction on individual holdings or on resale.

*Cooperative features:* Limitation of stockholders' dividends to ten per cent made permissive in application for stock. Probably not now policy of bank. No dividends paid to savings depositors.

*Special services:* Small loans made for thirty, sixty, or ninety days. Eight per cent interest charged and collateral required if loan is for over $300. Repayment by installments not usual. Extensions permitted if principal reduced. Bank open hours usual in city; previous to 1926 remained open Saturdays from 9 a.m. to 8 p.m.

*Relations with other banks:* Not member of Federal Reserve System or of clearing house.

*Personnel:* Eleven directors, including officers. All except secretary are trade union representatives; no tendency to appoint business men as directors.

Five officers, of whom one is active (secretary). President and three vice-presidents are trade union officers.

Five employees; unionized.

*General character of business:* Investments are largely in mortgages and listed bonds. United Mine Workers, Barbers, and the International Typographical Union have their national headquarters in Indianapolis and deposit in the bank. Support also from the building trades groups, but not from the railroad brotherhoods. Approximately eighty per cent of the bank's deposits come from labor organizations or members. Trust functions used infrequently.

INDIANAPOLIS, INDIANA. UNITED LABOR BANK AND TRUST COMPANY

*Opened January 2, 1924*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | Mar. 31 | $ 114,700 | $ 1,751 | $ 267,302 | $ 383,753 | — | — |
| | June 30 | 146,800 | 1,924 | 364,758 | 513,482 | — | — |
| | Oct. 10 | 190,200 | 1,962 | 326,813 | 518,975 | — | — |
| | Dec. 31 | 218,800 | 5,300 | 300,515 | 524,860 | — | — |
| 1925 | April 6 | 225,000 | 3,402 | 510,626 | 739,028 | — | — |
| | June 30 | 225,000 | 9,560 | 691,903 | 926,464 | — | — |
| | Sept. 28 | 225,000 | 10,583 | 475,396 | 710,980 | — | — |
| | Dec. 31 | 225,000 | 11,372 | 445,967 | 684,021 | — | — |
| 1926 | April 12 | 225,000 | 10,166 | 650,537 | 885,703 | — | — |
| | June 30 | 225,000 | 13,521 | 784,430 | 1,025,223 | — | — |
| | Dec. 31 | 225,000 | 7,815 | 872,616 | 1,117,126 | — | — |
| 1927 | Mar. 23 | 225,000 | 7,220 | 990,275 | 1,236,322 | — | — |
| | June 30 | 225,000 | 9,497 | 971,903 | 1,221,227 | — | — |
| | Oct. 10 | 225,000 | 11,826 | 720,757 | 971,181 | — | — |
| | Dec. 31 | 112,500 | 35,485 | 899,513 | 1,053,141 | — | — |
| 1928 | Feb. 28 | 112,500 | 38,445 | 818,963 | 969,908 | — | — |
| | June 30 | 112,500 | 33,642 | 658,222 | 810,144 | — | — |
| | Oct. 3 | 112,500 | 29,850 | 602,905 | 750,465 | — | — |
| | Dec. 31 | 112,500 | 28,542 | 812,075 | 958,821 | — | — |
| 1929 | Mar. 27 | 112,500 | 27,819 | 1,058,022 | 1,204,509 | — | — |
| | June 29 | 112,500 | 27,822 | 966,615 | 1,118,764 | — | — |

## THE FARMERS AND WORKINGMENS SAVINGS BANK

JACKSON, MICHIGAN

*Date of opening:* April 10, 1924.

*Charter:* State; combination commercial and savings bank. Essentially two banks with double charter and separate accounts.

*Promotion and organization:* Organization by local railroad labor groups with encouragement from B. of L.E. national organization. Stock sold by voluntary committee whose members were given expenses but no commissions. Stock paid for in installments.

*Ownership and control:* Railroad labor owns about seventy-five per cent of stock, largely as members, not as organizations. Jackson central labor group not interested. By-laws limit individual holdings to ten shares and require that resales be made through bank. Some tendency toward shift of stock to business group.

*Cooperative features:* Stockholders' dividends limited in by-laws to ten per cent. No dividends paid savings depositors.

*Special services:* Bank's earlier method of dealing with small loans was to require repayments in installments and to charge interest for full time on whole loan. Repayments now largely made in lump sum.

Endorsers must be depositors or property holders; collateral required if loan is for more than $500. Small amount in unsecured loans.

Bank open until 2 p.m. Saturday afternoons and from 6 p.m. until 8 p.m. Saturday evenings. Reported to be one of the factors which has brought most business to bank.

*Relations with other banks:* Not member of Federal Reserve System nor of clearing house.

*Personnel:* Twelve directors, none of whom have had previous banking experience. Board of directors includes seven trade union members, one attorney, one hardware dealer, one grocer, one real estate and insurance agent, and one farmer.

Nine officers, of whom three are active (cashier and two assistant cashiers). Cashier only officer with previous banking experience. None of bank officers are trade union officers.

Four employees; not unionized.

*General character of business:* Deposits largely savings; bank has limited commercial business. Labor support only fair; nonunion railroad shop workers and townspeople chief supporters.

JACKSON, MICHIGAN. THE FARMERS AND WORKINGMENS SAVINGS BANK

*Opened April 10, 1924*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | Aug. 27 | $ 100,000 | $ 23,813 | $ 304,899 | $ 429,572 | — | — |
| | Oct. 8 | 100,000 | 25,000 | 315,848 | 440,999 | — | — |
| | Dec. 31 | 100,000 | 25,000 | 338,467 | 463,667 | — | — |
| 1925 | April 6* | 100,000 | 25,000 | 429,990 | 554,990 | — | — |
| | June 30 | 100,000 | 25,000 | 512,217 | 640,201 | — | — |
| | Sept. 28 | 100,000 | 15,201 | 585,281 | 707,046 | — | — |
| | Dec. 31 | 100,000 | 14,759 | 595,593 | 710,386 | — | — |
| 1926 | April 12 | 100,000 | 13,000 | 719,044 | 835,322 | — | — |
| | June 30 | 100,000 | 15,205 | 764,127 | 880,712 | — | — |
| | Dec. 31 | 100,000 | 18,827 | 792,858 | 911,948 | — | — |
| 1927 | Mar. 23* | 100,000 | 18,990 | 785,940 | 905,920 | — | — |
| | June 30 | 100,000 | 19,770 | 883,125 | 1,003,810 | — | — |
| | Oct. 10 | 100,000 | 16,818 | 824,820 | 942,825 | — | — |
| | Dec. 31 | 100,000 | 15,955 | 831,033 | 947,797 | — | — |
| 1928 | Feb. 28* | 100,000 | 19,740 | 902,770 | 1,029,340 | — | — |
| | June 30 | 100,000 | 16,300 | 971,087 | 1,095,938 | — | — |
| | Oct. 3 | 100,000 | 17,760 | 944,635 | 1,074,460 | — | — |
| | Dec. 31 | 100,000 | 12,167 | 932,835 | 1,106,501 | — | — |
| 1929 | Mar. 27 | 100,000 | 10,725 | 948,545 | 1,085,160 | — | — |
| | June 29 | 100,000 | 13,295 | 939,193 | 1,069,329 | — | — |

*Date approximate.

## THE LABOR NATIONAL BANK OF JERSEY CITY

JERSEY CITY, NEW JERSEY

*Date of opening:* June 28, 1926.

*Charter:* National; bank.

*Promotion and organization:* Labor bank organization part of larger investment program of leaders of Central Labor Union and Building Trades Council of Hudson County, New Jersey. Program included labor office building and labor investment company. T. M. Brandle, leader. Stock of Union Labor Investment Corporation, holding company, sold on commission by agency.

*Ownership and control:* Bank stock held by Union Labor Investment Corporation. Class C voting stock in Investment Corporation limited to trade union organizations and nonnegotiable. Class A and Class B stock owned largely outside of union.

*Cooperative features:* Not policy of bank to limit dividends to stockholders or to pay dividends to savings depositors.

*Special services:* Few applications for small loans, since there are several industrial loan offices in Jersey City.

Bank open usual hours except Monday evenings when it remains open until 8 p.m. One other bank in city open same hours. Jersey City banks keep open longer hours to serve commuting population.

*Relations with other banks:* Member of Federal Reserve System and associate member of clearing house.

*Personnel:* Nineteen directors, of whom thirteen are trade union officers. Three directors have had previous experience.

Six officers, two of whom are active (cashier and assistant cashier). Active officers are bankers. Three of bank's officers are also active trade union officers.

Seven employees; unionized.

*Affiliated corporations:* Union Labor Investment Corporation.

*General character of business:* Large investment in bonds on account of slow growth of commercial business. Approximately sixty per cent of savings depositors and sixteen per cent of commercial depositors are trade union members.

JERSEY CITY, NEW JERSEY. THE LABOR NATIONAL BANK OF JERSEY CITY

*Opened June 28, 1926*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1926 | June 30 | $ 200,000 | $ 69,882 | $ 444,482 | $ 714,364 | — | — |
| | Dec. 31 | 200,000 | 65,807 | 1,183,857 | 1,525,872 | — | — |

JERSEY CITY, NEW JERSEY. THE LABOR NATIONAL BANK OF JERSEY CITY
—*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1927 | Mar. 23 | 200,000 | 67,614 | 1,393,660 | 1,768,405 | — | — |
| | June 30 | 200,000 | 77,726 | 1,639,108 | 2,040,548 | — | — |
| | Oct. 10 | 200,000 | 84,118 | 1,883,156 | 2,344,195 | — | — |
| | Dec. 31 | 200,000 | 83,500 | 1,880,601 | 2,360,386 | — | — |
| 1928 | Feb. 28 | 200,000 | 88,617 | 1,882,860 | 2,427,254 | — | — |
| | June 30 | 200,000 | 104,320 | 2,105,277 | 2,709,095 | — | — |
| | Oct. 3 | 400,000 | 227,813 | 1,968,576 | 2,687,842 | — | — |
| | Dec. 31 | 400,000 | 228,062 | 1,846,820 | 2,826,991 | — | — |
| 1929 | Mar. 27 | 400,000 | 230,274 | 1,840,032 | 2,929,808 | — | — |
| | June 29 | 400,000 | 231,186 | 2,032,177 | 2,965,130 | — | — |

## THE TRANSPORTATION BROTHERHOODS NATIONAL BANK

MINNEAPOLIS, MINNESOTA

*Date of opening:* December 18, 1922.

*Charter:* National; bank.

*Promotion and organization:* Local groups of four railroad brotherhoods interested in movement as started in Cleveland. B. of L.E. national organization furnished fifty-one per cent of capital. Balance sold to local engineers, conductors, trainmen, and firemen. Stock sold through personal solicitation.

*Ownership and control:* Fifty-one per cent of stock held by the Brotherhood Investment Company (controlled by the B. of L.E.). Approximately twenty per cent of stock owned by individual conductors and fourteen per cent by individual trainmen and firemen together. No stock held by other than members of the four Brotherhoods except in the case of directors' qualifying shares which must be resold to the bank if holder ceases to be a director. Provision in by-laws for a repurchase committee. In practice, sales handled by bank officials.

*Cooperative features:* Dividends to stockholders limited in by-laws to ten per cent. Provision in by-laws for payment of dividends to savings depositors. None paid.

*Special services:* Small loans made for thirty, sixty, or ninety days. One or two comakers or endorsers required. Repayments are by lump sum or by informal installments.

*Relations with other banks:* Member of Federal Reserve System. Not member of clearing house.

*Personnel:* Eight directors, all of whom except one, are trade union

officers. B. of L.E. national organization passes on board of directors. Ticket made up in Minneapolis of local men. B. of L.E. sends an officer to vote its stock.

Seven officers, of whom two are active (cashier and assistant cashier). Active officers have had previous banking experience. President and three vice-presidents officers of B. of L.E. and of Firemen, Trainmen, and Clerks, respectively.

Twenty-five employees; unionized.

*Affiliated corporations:* Brotherhood Investment Company and various other Engineers' enterprises.

*General character of business:* Approximately twenty-five per cent of bank's business commercial, and seventy-five per cent savings. About twenty per cent of depositors are trade union members. Support of unions has been poor.

## MINNEAPOLIS, MINNESOTA. THE TRANSPORTATION BROTHERHOODS NATIONAL BANK

*Opened December 18, 1922*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1922 | Dec. 29 | $ 107,083 | $ 20,000 | $ 55,894 | $ 194,374 | — | — |
| 1923 | April 3 | 160,000 | 20,000 | 339,728 | 554,782 | — | — |
| | June 30 | 200,000 | 20,000 | 515,091 | 760,107 | — | — |
| | Sept. 14 | 200,000 | 20,000 | 697,609 | 977,733 | — | — |
| | Dec. 31 | 200,000 | 20,000 | 827,110 | 1,122,110 | — | — |
| 1924 | Mar. 31 | 200,000 | 20,000 | 1,197,018 | 1,492,154 | — | — |
| | June 30 | 200,000 | 20,000 | 1,459,332 | 1,754,332 | — | — |
| | Oct. 10 | 200,000 | 25,308 | 1,617,216 | 1,920,949 | — | — |
| | Dec. 31 | 200,000 | 35,104 | 1,754,697 | 2,066,351 | — | — |
| 1925 | April 6 | 200,000 | 16,093 | 1,877,244 | 2,170,340 | — | — |
| | June 30 | 200,000 | 31,353 | 1,887,694 | 2,196,934 | — | — |
| | Sept. 28 | 200,000 | 36,186 | 2,012,722 | 2,342,782 | — | — |
| | Dec. 31 | 200,000 | 40,102 | 1,987,472 | 2,311,478 | Dec. 31 | 5% |
| 1926 | April 12 | 200,000 | 33,116 | 2,079,140 | 2,398,224 | — | — |
| | June 30 | 200,000 | 43,570 | 2,089,606 | 2,420,836 | — | — |
| | Dec. 31 | 200,000 | 64,850 | 2,113,086 | 2,467,738 | Dec. 31 | 6% |
| 1927 | Mar. 23 | 200,000 | 75,770 | 2,250,119 | 2,620,900 | — | — |
| | June 30 | 200,000 | 83,540 | 2,329,072 | 2,697,637 | — | — |
| | Oct. 10 | 200,000 | 92,645 | 2,272,604 | 2,652,388 | — | — |
| | Dec. 31 | 200,000 | 63,843 | 2,266,070 | 2,615,470 | Dec. 31 | 7% |
| 1928 | Feb. 28 | 200,000 | 69,863 | 2,334,042 | 2,691,091 | — | — |
| | June 30 | 200,000 | 61,540 | 2,396,009 | 2,743,204 | — | — |
| | Oct. 3 | 200,000 | 65,518 | 2,412,504 | 2,762,529 | — | — |
| | Dec. 31 | 200,000 | 75,742 | 2,352,788 | 2,765,989 | — | — |
| 1929 | Mar. 27 | 200,000 | 56,675 | 2,316,805 | 2,667,734 | — | — |
| | June 29 | 200,000 | 66,246 | 2,284,296 | 2,632,974 | — | — |

# *APPENDIX B*

## LABOR NATIONAL BANK OF NEWARK

NEWARK, NEW JERSEY

*Date of opening:* June 27, 1925.

*Charter:* National; bank and trust company. Name originally Labor Co-operative National Bank. Changed early in 1927 to Labor National Bank of Newark.

*Ownership and control:* Approximately seventy-five per cent of stock owned by New Jersey and Essex County, N. J., central bodies, local trade unions, and their members. About twenty-five per cent owned by nonunion interests. Not more than ten shares may be owned by any one individual and not more than fifty shares by any union. Application for stock contains repurchase agreement.

*Cooperative features:* Limitation of stockholders' dividends not contained in the by-laws, but is subject to determination by the directors. No provision in the by-laws for payment of dividends to savings depositors.

*Special services:* Bank has not made character loans until recently. Is developing plan for small loans repaid in installments. Six per cent interest charged on the loan and four per cent allowed on installment repayments.

Open daily from 9 a.m. to 4 p.m. except Mondays, when open until 8 p.m. Open Saturdays until 5 p.m.

Bank does a considerable mortgage business. Requires repayments in installments adjusted to borrower's ability. Charges six per cent interest but no bonus. Mortgage business considered valuable service.

*Relations with other banks:* Member of Federal Reserve System and of clearing house.

*Personnel:* Twenty-eight directors, of whom about twenty-two are labor representatives. Subscription contract provides that majority of the board of directors shall be trade unionists.

Bank has five officers, of whom three are trade union officers. Three officers active (president, cashier, and assistant cashier).

Eighteen employees; not unionized.

*General character of business:* Bank's business is about sixty per cent savings and forty per cent commercial.

NEWARK, NEW JERSEY. LABOR NATIONAL BANK OF NEWARK

*Opened June 27, 1925*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | June 30 | $ 250,000 | $ 125,009 | $ 157,247 | $ 532,399 | — | — |
| | Sept. 28 | 250,000 | 125,009 | 719,188 | 1,104,100 | — | — |
| | Dec. 31 | 250,000 | 125,000 | 1,262,233 | 1,646,365 | — | — |

NEWARK, NEW JERSEY. LABOR NATIONAL BANK OF NEWARK
—*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | RATE PAID |
|---|---|---|---|---|---|---|---|
| 1926 | Mar. 2 | 250,000 | 125,000 | 1,523,726 | 1,909,042 | — | — |
| | June 28 | 250,000 | 125,000 | 2,119,457 | 2,544,732 | — | — |
| | Dec. 31 | 250,000 | 125,000 | 2,303,289 | 2,678,289 | — | — |
| 1927 | Mar. 23 | 250,000 | 125,000 | 2,404,328 | 2,792,273 | — | — |
| | June 30 | 250,000 | 125,000 | 2,845,077 | 3,248,177 | — | — |
| | Oct. 10 | 250,000 | 135,577 | 3,150,142 | 3,566,022 | — | — |
| | Dec. 31 | 250,000 | 138,085 | 3,383,154 | 3,803,678 | — | — |
| 1928 | Feb. 28 | 250,000 | 142,691 | 3,229,894 | 3,662,091 | — | — |
| | June 30 | 250,000 | 148,886 | 3,626,281 | 4,064,412 | July 1 | 1¼% |
| | Oct. 3 | 250,000 | 148,898 | 3,569,904 | 4,032,544 | Oct. 1 | 1¼% |
| | Dec. 31 | 250,000 | 150,654 | 3,586,153 | 4,107,747 | — | — |
| 1929 | Mar. 27 | 250,000 | 155,990 | 3,394,656 | 3,857,702 | Jan. 1 | 1¼% |
| | June 29 | 250,000 | 160,208 | 3,565,601 | 4,017,884 | Apr. 1 | 1¼% |

## THE AMALGAMATED BANK OF NEW YORK

NEW YORK, NEW YORK

*Date of opening:* April 14, 1923.

*Charter:* State; bank.

*Promotion and organization:* Initiative by union officers. Plans begun 1920, and bank authorized by 1922 convention.

*Ownership and control:* Stock owned by Amalgamated Clothing Workers of America (A.C.W.A.) and its subsidiary divisions, and by individual members of the union. Large percentage owned by the national organization of the A.C.W.A. and by the Chicago and New York joint boards. No stock owned by individuals not members of the A.C.W.A. except in case of directors, officers, or employees of the bank. Originally no one person could own more than three shares. Minimum now increased to five. Shareholders wishing to sell must offer their stock to the purchasing committee, which will buy at fixed price. No important changes in the distribution of stock.

*Cooperative features:* Limitation of stockholders' dividends policy of the bank. Profiteering in stock of bank not permitted, since resale is at price fixed by committee. Bank has not paid dividends to savings depositors. Interest rate on deposits in the Special Interest Thrift Department was increased in January, 1928, from four per cent to four and one-half per cent. According to announcement, this done in line with cooperative policy.

*Special services:* Small loans an important service. Two endorsers required whose financial responsibility is known to bank. Loans from $50 to $500 repaid in ten monthly installments. Early in 1928 over

$400,000 outstanding in loans to more than 4,000 individuals. Losses through failure of borrower to pay have amounted to less than one per cent.[1]

Banking hours from 9 a.m. to 6 p.m. except on Mondays when 9 a.m. to 7 p.m., and on Saturdays, 9 a.m. to 5 p.m.

The transmission of remittances to Russia an outstanding service of both Chicago and New York Amalgamated banks. By end of 1927, two banks together had sent $17,966,480 to Russia and $11,481,269 to other countries.[2]

Investment service handled through Amalgamated Investors, Inc., a cooperative investment trust. Investors buy certificates of the corporation. Funds of the corporation invested in bonds, and preferred and common stock, giving holders of certificates the benefit of diversified investment. Three-fourths of one per cent of earnings reserved as management charge. Earnings in excess of this up to six per cent paid as dividends to certificate holders. Earnings in excess of amount for six per cent dividend divided between dividends and management in the ratio of nine to one. Investment certificates have received dividends of eight per cent and twelve per cent in first two years of operation.

The Amalgamated Cooperative Apartments have been built in New York City by the A.C.W. Corporation, a subsidiary of the A.C.W.A. The bank has cooperated in making this enterprise possible by loans, both directly to the project and to individual tenant-owners.[3]

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* About sixteen directors. Both New York and Chicago Amalgamated banks have also advisory committees which give counsel as to commercial loans and other problems.

One of bank's active officers also an officer of A.C.W.A., for liaison purposes.

About eighty-eight employees. Unionized; members of the Bookkeepers,' Stenographers,' and Accountants' Union.

*Affiliated corporations:* Of the six business enterprises of the A.C.W.A., exclusive of banks, none are directly affiliated with the New York bank, but several are closely associated with it in their work, includ-

[1]Amalgamated Clothing Workers, *Report of The General Executive Board*, 1926–28, p. 100.

[2]For a discussion of this service, *see* Chapter V and the history of the Chicago Amalgamated Trust and Savings Bank, Appendix B, also, Amalgamated Clothing Workers of America, *Documentary History*, 1924–26, pp. 147–8.

[3]Amalgamated Clothing Workers, *Report of The General Executive Board*, 1926-28, pp. 92–8.

ing the following: Amalgamated Investors, Inc., organized for cooperative investment; the A.C.W. Corporation for the cooperative buying of coal, ice, and housing; the Russian-American Industrial Corporation organized in 1922 to assist in the rehabilitation of Russian industry and for the transmission of funds to Russia; and the A.C.W. Credit Union.

*General character of business:* Commercial deposits about forty per cent of total. Special services an important part of bank's work. Business from all over the metropolitan area. Savings deposits important and have been developed in connection with union enterprises.

NEW YORK, NEW YORK. THE AMALGAMATED BANK OF NEW YORK
*Opened April 14, 1923*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | June 30 | $ 200,000 | $ 98,162 | $ 1,394,720 | $ 1,746,556 | — | — |
| | Sept. 10 | 200,000 | 109,028 | 1,970,306 | 2,281,231 | — | — |
| | Nov. 15 | 200,000 | 102,128 | 2,294,044 | 2,664,913 | — | — |
| 1924 | Mar. 20 | 200,000 | 117,982 | 2,684,259 | 3,006,571 | — | — |
| | June 30 | 200,000 | 111,529 | 3,010,681 | 3,353,226 | — | — |
| | Sept. 29 | 200,000 | 121,871 | 3,684,557 | 4,080,799 | — | — |
| | Nov. 15 | 200,000 | 142,266 | 3,874,276 | 4,279,456 | — | — |
| 1925 | April 6 | 200,000 | 144,156 | 5,263,622 | 5,674,968 | — | — |
| | June 30 | 200,000 | 137,706 | 5,322,961 | 5,799,600 | June 5 | 2% |
| | Sept. 30 | 200,000 | 130,944 | 5,143,157 | 5,624,419 | Aug. 1 | 2% |
| | Dec. 31 | 300,000 | 172,789 | 5,795,808 | 6,429,437 | Nov. 2 | 2% |
| 1926 | Mar. 25 | 300,000 | 202,606 | 6,481,820 | 7,072,220 | Feb. 1 | 2% |
| | June 30 | 300,000 | 197,104 | 7,141,584 | 7,746,606 | April 1 | 2% |
| | | | | | | Aug. 2 | 2% |
| | Dec. 31 | 300,000 | 230,426 | 7,824,520 | 8,642,113 | Nov. 1 | 2% |
| 1927 | Mar. 23 | 500,000 | 341,297 | 8,024,104 | 9,056,269 | Feb. 1 | 2% |
| | June 30 | 500,000 | 337,180 | 8,359,609 | 9,396,381 | May 2 | 2% |
| | Sept. 30 | 500,000 | 341,115 | 8,157,082 | 9,293,422 | Aug. 1 | 2% |
| | Dec. 31 | 500,000 | 355,539 | 8,449,885 | 9,305,424 | Nov. 1 | 2% |
| 1928 | Mar. 2 | 500,000 | 349,822 | 9,353,143 | 10,407,235 | Feb. 1 | 2% |
| | June 30 | 650,000 | 435,470 | 9,837,679 | 11,209,688 | May 1 | 2% |
| | Sept. 28 | 650,000 | 442,394 | 10,559,181 | 11,929,162 | Aug. 1 | 2% |
| | Dec. 31 | 650,000 | 487,172 | 11,717,589 | 13,128,004 | Dec. 31 | 2% |
| 1929 | Mar. 22 | 650,000 | 480,138 | 12,029,011 | 13,464,682 | Feb. 1 | 2½% |
| | June 29 | 650,000 | 487,172 | 11,673,794 | 13,315,804 | May 1 | 2½% |

## FEDERATION BANK AND TRUST COMPANY

NEW YORK, NEW YORK

*Date of opening:* May 19, 1923.

*Charter:* State; bank and trust company. Trust functions added early in 1926. Name of bank changed from Federation Bank of New York to Federation Bank and Trust Company.

*Promotion and organization:* Organization committee was composed of representatives of the New York State Federation of Labor, Greater New York Central Trades and Labor Council, the New York Building Trades Council, and other A.F. of L. union groups. Stock sold directly without commissions to international and local unions, individual members of unions, and to friends of labor.

*Ownership and control:* About 42 international unions and 112 central union bodies, local, and federal unions own about 1,750 of the 7,500 shares. About 800 trade union members own over 3,400 shares. About 2,300 shares held by individuals not trade union members. Shares owned originally limited to twenty-five for organizations and ten for individuals; increased to fifty for organizations and twenty-five for individuals. Shareholders agree to offer stock to repurchase committee at book value if they desire to sell.

*Cooperative features:* Clause contained in the original subscription blanks and stock certificates whereby purchasers agreed to a ten per cent limitation on dividends to stockholders and a policy of profit sharing with savings depositors. This clause eliminated at the annual stockholders' meeting in 1926. On January 1, 1929, the interest rate on accounts in the Special Interest Department increased to four and one-half per cent, compounded quarterly.

*Special services:* Bank does not make specialty of small loans; instead urges use of credit unions. Open from 9 a.m. to 6 p.m. daily, and Saturdays from 9 a.m. to 3 p.m. Gives advice on loans for home building, but generally recommends building and loan associations.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Twenty-five directors, of whom a majority are members of unions affiliated with the A.F. of L. Advisory committee composed of men prominent in business and public affairs. Provision in the by-laws that majority of the board of directors must be trade unionists affiliated with the A.F. of L.

Six officers, of whom four have had previous banking experience. President and vice-president trade union members.

Forty-six employees; unionized.

*Affiliated corporations:* Federation Shareholders' Corporation, an investment trust. Directors of bank are officers and directors of Corporation.

*General character of business:* Seventy per cent of special interest accounts and twenty per cent of commercial accounts from labor organizations or members. Does general community savings and commercial business.

NEW YORK, NEW YORK. FEDERATION BANK AND TRUST COMPANY
*Opened May 19, 1923*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | June 30 | $ 250,000 | $ 250,000 | $ 743,520 | $ 1,226,094 | — | — |
| | Nov. 15 | 250,000 | 219,508 | 1,903,696 | 2,386,887 | — | — |
| | Dec. 20 | 250,000 | 218,821 | 3,236,922 | 3,719,159 | — | — |
| 1924 | Mar. 20 | 250,000 | 215,707 | 4,009,348 | 4,510,157 | — | — |
| | June 30 | 250,000 | 225,625 | 5,185,620 | 6,016,840 | — | — |
| | Sept. 29 | 250,000 | 260,040 | 5,851,595 | 6,419,211 | — | — |
| | Dec. 31 | 250,000 | 265,832 | 7,906,087 | 8,445,525 | — | — |
| 1925 | | | | | | Jan. 1 | 2% |
| | April 6 | 250,000 | 289,298 | 8,472,287 | 9,086,277 | April 1 | 2% |
| | June 30 | 250,000 | 322,319 | 9,909,129 | 10,800,865 | July 1 | 2% |
| | Sept. 30 | 250,000 | 333,872 | 11,629,383 | 12,574,820 | Aug. 1 | 12%* |
| | Dec. 31 | 750,000 | 851,215 | 13,080,190 | 15,461,552 | Oct. 1 | 2% |
| 1926 | Mar. 31 | 750,000 | 928,395 | 13,714,734 | 16,325,824 | Jan. 1 | 2% |
| | June 30 | 750,000 | 987,245 | 15,441,485 | 17,805,692 | April 1 | 2% |
| | | | | | | July 1 | 2% |
| | Nov. 15 | 750,000 | 948,165 | 16,640,953 | 18,974,245 | Oct. 1 | 2% |
| 1927 | Mar. 23 | 750,000 | 1,035,115 | 16,735,202 | 18,762,289 | Jan. 1 | 4% |
| | June 30 | 750,000 | 960,167 | 17,460,120 | 19,417,237 | April 1 | 2% |
| | Sept. 30 | 750,000 | 982,034 | 17,315,157 | 19,503,812 | July 1 | 2% |
| | | | | | | Oct. 1 | 2% |
| | Dec. 31 | 750,000 | 1,004,272 | 18,746,682 | 20,854,821 | Dec. 31 | 4% |
| 1928 | Mar. 2 | 750,000 | 1,056,657 | 18,628,716 | 20,846,663 | Mar. 2 | 2% |
| | June 30 | 750,000 | 1,047,278 | 19,036,393 | 21,168,585 | June 30 | 2% |
| | Sept. 29 | 750,000 | 1,060,835 | 17,316,097 | 19,559,599 | Sept. 29 | 2% |
| | Dec. 31 | 750,000 | 1,073,866 | 18,364,026 | 20,710,590 | Dec. 31 | 4% |
| 1929 | Mar. 22 | 750,000 | 1,131,145 | 18,831,504 | 21,489,330 | Mar. 31 | 3% |
| | June 29 | 750,000 | 1,131,586 | 16,958,881 | 19,356,249 | June 29 | 3% |

*Extra dividend.

## LABOR NATIONAL BANK OF PATERSON

PATERSON, NEW JERSEY

*Date of opening:* July 26, 1924.

*Charter:* National; bank and trust company. Name originally Labor Co-operative National Bank of Paterson. Changed August 15, 1928, to Labor National Bank of Paterson.

*Promotion and organization:* Three men of rank and file of silk weavers' union in Paterson active in initiating bank, with aid of union and of Trades and Labor Council. Stock sold by trade union members without commission.

*Ownership and control:* Paterson trade unions and their members own about seventy per cent of stock. Practically all unions in Paterson are interested. Balance owned by public. Number of shares owned by

organizations originally limited to forty each, later increased to sixty; by individuals to ten, later increased to twenty. Resale restriction in original subscription agreement only. In practice, committee handles most of stock turnover. Little change in stock ownership since opening.

*Cooperative features:* Limitation of dividends on stock to ten per cent contained in original stock application form. No longer considered part of bank's policy. Price of stock kept down to prevent speculation. Payment of dividends to savings depositors not present policy of bank.

*Special services:* Bank does not emphasize character loans, although some small loans made on collateral or good endorsements.

Open Monday evenings from 5 p.m. to 8 p.m. and Saturday afternoons until 5 p.m. Saturday afternoon opening considered more helpful than Monday evening.

Christmas Clubs found to be good source of new accounts. Deposits collected in factories.

*Relations with other banks:* Member of Federal Reserve System. No clearing house in Paterson; bank participates in Passaic County clearing association.

*Personnel:* Twenty-four directors, of whom two have had previous experience as bankers. Nine are trade union officers and nine represent the public.

Eight officers, of whom three are active (one vice-president, cashier, and assistant cashier). Cashier only officer with previous banking experience. Three of bank's inactive officers are trade union officers.

Twenty-three employees; not unionized.

*General character of business:* Largely savings with comparatively small number of commercial accounts. Approximately fifty per cent of depositors are members of sponsoring unions.

PATERSON, NEW JERSEY. LABOR NATIONAL BANK OF PATERSON

*Opened July 26, 1924*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | Oct. 10 | $ 178,634 | $ 100,000 | $ 679,339 | $ 1,026,543 | — | — |
| | Dec. 31 | 200,000 | 100,000 | 985,390 | 1,330,390 | — | — |
| 1925 | April 6 | 200,000 | 100,000 | 1,542,864 | 1,889,708 | — | — |
| | June 30 | 200,000 | 100,000 | 2,160,436 | 2,669,034 | — | — |
| | Sept. 28 | 200,000 | 102,750 | 3,052,507 | 3,420,098 | — | — |
| | Dec. 31 | 200,000 | 103,049 | 3,003,669 | 3,372,855 | — | — |

PATERSON, NEW JERSEY. LABOR NATIONAL BANK OF PATERSON —*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|---|
| 1926 | April 12 | 200,000 | 107,211 | 3,288,597 | 3,777,140 | — | | — |
| | June 30 | 200,000 | 100,000 | 3,833,753 | 4,244,473 | — | | — |
| | Dec. 31 | 200,000 | 104,845 | 3,790,956 | 4,414,146 | — | | — |
| 1927 | Mar. 23 | 200,000 | 108,322 | 4,085,446 | 4,920,659 | Jan. | 3 | 3% |
| | June 30 | 200,000 | 113,058 | 4,252,505 | 5,015,004 | July | 1 | 3% |
| | Oct. 10 | 300,000 | 178,946 | 4,643,901 | 5,689,849 | — | | — |
| | Dec. 31 | 300,000 | 176,991 | 4,657,533 | 5,600,858 | — | | — |
| 1928 | Feb. 28 | 300,000 | 187,600 | 4,809,241 | 5,563,228 | Jan. | 1 | 3% |
| | June 30 | 300,000 | 185,782 | 5,031,616 | 5,675,320 | July | 2 | 3% |
| | Oct. 3 | 300,000 | 192,359 | 5,337,298 | 5,995,606 | — | | — |
| | Dec. 31 | 300,000 | 200,238 | 5,109,890 | 5,751,971 | — | | — |
| 1929 | Mar. 27 | 300,000 | 202,439 | 5,501,618 | 6,110,832 | Jan. | 2 | 3% |
| | June 29 | 300,000 | 203,467 | 5,670,323 | 6,349,836 | July | 1 | 3% |

## BROTHERHOOD NATIONAL BANK OF PORTLAND

PORTLAND, OREGON

*Date of opening:* January 3, 1925.

*Charter:* National; bank. Name was Brotherhood Co-operative National Bank of Portland until June 4, 1929, when changed to Brotherhood National Bank of Portland.

*Promotion and organization:* Bank organized by Pacific Brotherhood Investment Company, working with local committees of B. of L.E. Funds secured by Pacific Brotherhood Investment Company from local sales of its stock.

*Ownership and control:* Controlling interest in bank originally held by the Pacific Brotherhood Investment Company and afterward transferred to the Brotherhood Investment Company but voting proxy retained by Pacific Company. Less than half of minority stock owned by local unions or members. No limitation on the number of shares which may be owned by one person or organization. No restriction concerning the resale of stock. No tendency toward concentration of ownership.

Virtual control of bank now in hands of Calitalo Investment Corporation through Pacific Company. (See pp. 259-61.)

*Cooperative features:* Dividends to stockholders limited to ten per cent on par. Provision for payment of dividends to savings depositors contained in the by-laws. None paid.

*Special services:* Bank does not make specialty of small loans. Is open Saturday evenings from 6 p.m. to 8 p.m.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Bank has eleven directors, of whom all but three are labor representatives. About three directors, including one of the labor representatives, have had previous experience.

Five officers, of whom three are active (vice-president, cashier, and assistant cashier). Active officers have all had previous banking experience. Until 1927, president and executive vice-president of bank were also officers of Pacific Brotherhood Investment Company.

Seventeen employees; partly unionized.

*Affiliated corporations:* Pacific Brotherhood Investment Company, Brotherhood Investment Company, Pacific Empire Company, Assured Thrift, and other B. of L.E. enterprises.

*General character of business:* Has ninety per cent of the trade union organizations in Portland as depositors. Bank's activity approximately one-fourth commercial and three-fourths savings.

PORTLAND, OREGON. BROTHERHOOD NATIONAL BANK OF PORTLAND

*Opened January 3, 1925*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | April 6 | $ 168,859 | $ 50,000 | $ 526,443 | $ 797,591 | — | — |
| | June 30 | 200,000 | 50,000 | 835,193 | 1,185,336 | — | — |
| | Sept. 28 | 200,000 | 50,000 | 1,192,422 | 1,550,254 | — | — |
| | Dec. 31 | 200,000 | 50,000 | 1,639,897 | 2,040,558 | — | — |
| 1926 | April 12 | 200,000 | 50,000 | 1,887,733 | 2,298,243 | — | — |
| | June 30 | 200,000 | 50,000 | 1,874,680 | 2,327,205 | — | — |
| | Dec. 31 | 200,000 | 54,583 | 2,207,795 | 2,667,409 | — | — |
| 1927 | Mar. 23 | 200,000 | 63,752 | 2,269,035 | 2,752,916 | — | — |
| | June 30 | 200,000 | 77,321 | 2,438,751 | 2,921,997 | — | — |
| | Oct. 10 | 200,000 | 54,129 | 2,348,013 | 2,831,110 | — | — |
| | Dec. 31 | 200,000 | 65,862 | 2,353,021 | 2,823,335 | — | — |
| 1928 | Feb. 28 | 200,000 | 75,071 | 2,273,658 | 2,764,275 | — | — |
| | June 30 | 200,000 | 70,722 | 2,287,024 | 2,763,149 | July 1 | 2% |
| | Oct. 3 | 200,000 | 65,784 | 2,351,232 | 2,832,854 | — | — |
| | Dec. 31 | 200,000 | 69,622 | 2,407,329 | 2,878,187 | — | — |
| 1929 | Mar. 27 | 200,000 | 64,078 | 2,240,458 | 2,705,865 | — | — |

## THE HAWKINS COUNTY BANK

ROGERSVILLE, TENNESSEE

*Date of transfer to trade union control:* November 16, 1925.

*Charter:* State; bank.

*Promotion and organization:* International Printing Pressmen's and Assistants' Union of North America purchased large interest in estab-

lished bank in county seat near Pressmen's Home, Tennessee, headquarters of the Union. Purpose was investment of Union funds. Policies and operation of the bank not changed.

*Ownership and control:* Printing Pressmen's and Assistants' Union as an organization owns approximately 200 of the 500 shares of the bank. President Berry of the Union owns sufficient additional stock so that control is assured.

*Cooperative features:* Bank does not limit dividends to stockholders nor pay dividends to savings depositors.

*Special services:* Customary in community for banks to extend accommodations unusual in larger cities.

*Relations with other banks:* Bank is not member of Federal Reserve System. But one other bank in community.

*Personnel:* Pressmen's Union does not take active part in the administration of the bank. Only one member on the board of directors representing the Pressmen. No change in officers when Pressmen became interested in bank. Six employees; not unionized.

*General character of business:* Most of business is agricultural with some financing of retail merchants. Bank's business largely commercial. Savings deposits consist largely of certificates of deposit.

ROGERSVILLE, TENNESSEE. THE HAWKINS COUNTY BANK

*Transferred November 16, 1925*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | Dec. 31 | $ 50,000 | $ 66,500 | $ 504,000 | $ 620,500 | — | — |
| 1926 | April 12 | 50,000 | 58,561 | 507,155 | 615,716 | Jan. | 20% |
| | June 30* | | | | | — | — |
| | Nov. 22 | 50,000 | 62,963 | 588,651 | 701,614 | — | — |
| 1927 | May 18 | 50,000 | 57,595 | 595,250 | 702,846 | Jan. | 18% |
| | June 30 | 50,000 | 58,920 | 561,184 | 670,104 | — | — |
| | Nov. 16 | 50,000 | 65,608 | 671,699 | 787,308 | — | — |
| | Dec. 31 | 50,000 | 51,004 | 689,294 | 790,298 | — | — |
| 1928 | April 24 | 50,000 | 53,804 | 722,261 | 826,065 | Jan. | 20% |
| | June 30 | 50,000 | 53,804 | 726,601 | 843,121 | — | — |
| | Oct. 5 | 50,000 | 56,987 | 717,778 | 824,765 | — | — |
| | Dec. 31* | | | | | — | — |
| 1929 | Mar. 30 | 50,000 | 53,907 | 640,128 | 744,034 | Jan. | 20% |
| | June 29 | 50,000 | 53,065 | 593,813 | 721,878 | — | — |

*Statement not available.

# *APPENDIX B*

## TELEGRAPHERS NATIONAL BANK

### ST. LOUIS, MISSOURI

*Date of opening:* June 9, 1923.

*Charter:* National; bank.

*Promotion and organization:* Initiative by officers of the Order of Railroad Telegraphers (O.R.T.) who interested members. Stock sold largely by treasurer of union without salesmen or commissions.

*Ownership and control:* Of 5,000 shares approximately 3,607 are held by the grand secretary as trustee for the O.R.T., 137 shares by subordinate divisions of the O.R.T., and 1,256 by officers of the bank and officers and members of the Order. Except for directors' qualifying shares, ownership of stock is limited to the O.R.T. and its members. No person can own more than ten shares. Provision in by-laws that stock can be sold only to the O.R.T. or members. No important changes have taken place in the distribution of bank's stock.

*Cooperative features:* Dividends to stockholders limited in by-laws to ten per cent. Provision in by-laws for payment of dividends to savings depositors. None paid. Interest on savings deposits paid from date of deposit to date of withdrawal; compounded quarterly.

*Special services:* Bank does not make a specialty of small loans. Some few made are repaid monthly or at each pay day.

Bank formerly open Saturdays until 7 p.m.; afterward until 5 p.m.; recently until 2 p.m. Experience that Saturday hours bring many new accounts.

Large number of mail deposits, mostly in time certificates and savings accounts of members of O.R.T. Mail deposits in 1927 amounted to over $1,240,000, almost twenty per cent of total deposits.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Five officers, of whom three are active (vice-president and two assistant cashiers). President, and vice-president and cashier are, respectively, president and secretary-treasurer of the O.R.T.

About nineteen employees; unionized.

*General character of business:* Of approximately 9,000 depositors, about 6,500 are savings and 2,500 commercial. Most of resources invested rather than loaned. Real estate department contemplated as partial substitute for bond investment.

## ST. LOUIS, MISSOURI. TELEGRAPHERS NATIONAL BANK

*Opened June 9, 1923*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | June 30 | $ 500,000 | $ 107,040 | $ 1,566,054 | $ 2,173,094 | — | — |
| | Sept. 14 | 500,000 | 77,021 | 2,714,699 | 3,266,720 | — | — |
| | Dec. 31 | 500,000 | 78,497 | 3,075,564 | 3,916,061 | — | — |
| 1924 | Mar. 31 | 500,000 | 87,732 | 4,192,095 | 4,979,827 | — | — |
| | June 30 | 500,000 | 97,362 | 3,983,668 | 4,831,030 | — | — |
| | Oct. 10 | 500,000 | 111,302 | 4,405,685 | 5,266,986 | — | — |
| | Dec. 31 | 500,000 | 90,545 | 4,256,704 | 5,097,249 | — | — |
| 1925 | April 6 | 500,000 | 102,604 | 5,118,996 | 5,968,159 | — | — |
| | June 30 | 500,000 | 99,714 | 5,116,439 | 5,961,613 | — | — |
| | Sept. 28 | 500,000 | 114,183 | 5,508,991 | 6,382,533 | — | — |
| | Dec. 31 | 500,000 | 130,116 | 5,558,630 | 6,428,847 | — | — |
| 1926 | April 12 | 500,000 | 133,837 | 5,875,132 | 6,762,269 | — | — |
| | June 30 | 500,000 | 137,026 | 5,870,540 | 6,775,801 | — | — |
| | Dec. 31 | 500,000 | 192,368 | 6,275,498 | 7,217,466 | — | — |
| 1927 | Mar. 23 | 500,000 | 172,397 | 6,817,963 | 7,739,660 | Jan. | 6% |
| | June 30 | 500,000 | 174,598 | 6,464,134 | 7,384,032 | — | — |
| | Oct. 10 | 500,000 | 197,259 | 6,623,499 | 7,675,758 | — | — |
| | Dec. 31 | 500,000 | 221,491 | 6,585,574 | 7,749,265 | — | — |
| 1928 | Feb. 28 | 500,000 | 221,819 | 6,782,523 | 7,781,342 | Jan. | 6% |
| | June 30 | 500,000 | 224,303 | 6,755,030 | 7,718,383 | — | — |
| | Oct. 3 | 500,000 | 242,330 | 5,900,557 | 7,148,001 | — | — |
| | Dec. 31 | 500,000 | 251,932 | 6,275,876 | 7,489,608 | — | — |
| 1929 | Mar. 27 | 500,000 | 224,986 | 6,455,135 | 7,644,971 | Jan. 23 | 6% |
| | June 29 | 500,000 | 238,439 | 6,341,251 | 7,563,956 | — | — |

## THE BROTHERHOOD CO-OPERATIVE NATIONAL BANK

### TACOMA, WASHINGTON

*Date of opening:* July 1, 1925.

*Charter:* National; bank.

*Promotion and organization:* Initiative by local engineers. Committee took subscriptions for stock for over two years. Then appealed to national B. of L.E. organization. Pacific Brotherhood Investment Company purchased about fifty-six per cent of stock with funds secured by local sales of its stock.

*Ownership and control:* Pacific Brotherhood Investment Company owned controlling interest. Afterward transferred to Brotherhood Investment Company but voting proxy retained by Pacific Company. No limit to the number of shares one person or organization may hold and no restriction concerning the resale of stock.

Virtual control of bank now in hands of Calitalo Investment Corporation through Pacific Company. (See pp. 259-61)

*Cooperative features:* Dividends to stockholders limited to ten per cent. Policy of bank to pay dividends to savings depositors. None paid.

*Special services:* Open Saturday evenings from 6 p.m. to 8 p.m. Does not make loans under $100 and does not encourage small loan business.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Fourteen directors.

Seven officers, three of whom are active (executive vice-president and cashier, and two assistant cashiers). Until 1927, president of Pacific Brotherhood Investment Company was president of bank.

Twenty-one employees; not unionized.

*Affiliated organizations:* Brotherhood Investment Company, Pacific Brotherhood Investment Company, Pacific Empire Company, Assured Thrift, and other B. of L.E. enterprises.

*General character of business:* About one-third of bank's business savings and two-thirds commercial. Local savings and loan companies take much of the savings business.

TACOMA, WASHINGTON. THE BROTHERHOOD CO-OPERATIVE NATIONAL BANK

*Opened July 1, 1925*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | Sept. 28 | $ 200,000 | $ 40,000 | $ 1,272,995 | $ 1,618,411 | — | — |
| | Dec. 31 | 200,000 | 40,000 | 1,775,248 | 2,210,752 | — | — |
| 1926 | April 12 | 200,000 | 43,398 | 2,417,318 | 2,866,811 | — | — |
| | June 30 | 200,000 | 40,000 | 2,492,184 | 2,929,339 | — | — |
| | Dec. 31 | 200,000 | 43,114 | 2,803,376 | 3,252,215 | — | — |
| 1927 | Mar. 23 | 200,000 | 55,090 | 2,725,226 | 3,184,601 | — | — |
| | June 30 | 200,000 | 57,019 | 2,703,528 | 3,163,717 | — | — |
| | Oct. 10 | 200,000 | 50,492 | 2,553,483 | 3,004,375 | — | — |
| | Dec. 31 | 200,000 | 43,977 | 2,472,244 | 2,912,847 | — | — |
| 1928 | Feb. 28 | 200,000 | 46,028 | 2,344,807 | 2,789,601 | — | — |
| | June 30 | 200,000 | 45,164 | 2,677,757 | 3,122,879 | — | — |
| | Oct. 3 | 200,000 | 47,296 | 2,638,269 | 3,098,123 | — | — |
| | Dec. 31 | 200,000 | 43,666 | 2,764,768 | 3,209,183 | — | — |
| 1929 | Mar. 27 | 200,000 | 44,394 | 2,573,950 | 3,024,427 | — | — |
| | June 29 | 200,000 | 48,770 | 2,629,372 | 3,075,199 | — | — |

## LABOR NATIONAL BANK OF MONTANA

THREE FORKS, MONTANA

*Date of transfer to trade union control:* April 20, 1923.

*Charter:* National; bank.

*Promotion and organization:* Organizing group purchased control of bank

which had been closed. Stock sold by personal canvass by members of railroad brotherhoods. No commissions paid for selling stock.

*Ownership and control:* No limit to amount of stock held by one person or organization and no restriction concerning resale of stock. Bank has had support and aid of Brotherhood of Locomotive Engineers Cooperative National Bank of Cleveland. B. of L.E. has controlled bank during part of its existence. Members of B. of L.E. now own twenty-eight per cent of stock; members of other railroad organizations, thirty-nine per cent; and public, remainder.

*Cooperative features:* No limitation on dividends to stockholders. Not policy of bank to pay dividends to savings depositors.

*Special services:* Specializes in small loans. No security required when maker is known to be responsible. Prevailing rate of ten per cent except on livestock and commercial loans. Repayments monthly or semimonthly required on loans to railroad men and others aside from livestock and commercial loans.

*Relations with other banks:* Member of Federal Reserve System.

*Personnel:* Seven directors. Five officers, three active (cashier and two assistant cashiers). Three active officers have had previous banking experience. Employees not unionized.

*General character of business:* Gets most support from railroad labor in deposits, and from farmers, stockmen, and commercial firms in borrowing. Bank's activity largely commercial. Started with 324 checking and 143 savings depositors and now has 586 checking and 216 savings depositors.

THREE FORKS, MONTANA. LABOR NATIONAL BANK OF MONTANA

*Transferred April 20, 1923*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | June 30 | $ 25,000 | $ 5,000 | $ 93,211 | $ 141,733 | — | — |
| | Sept. 14 | 25,000 | 5,000 | 80,288 | 137,730 | — | — |
| | Dec. 31 | 25,000 | 5,000 | 85,013 | 134,704 | — | — |
| 1924 | Mar. 31 | 25,000 | 5,000 | 89,740 | 117,740 | — | — |
| | June 30 | 25,000 | 5,000 | 111,415 | 153,415 | — | — |
| | Oct. 10 | 25,000 | 5,000 | 163,194 | 193,094 | — | — |
| | Dec. 31 | 25,000 | 5,000 | 168,450 | 198,450 | — | — |
| 1925 | April 6 | 25,000 | 5,000 | 174,733 | 204,733 | — | — |
| | June 30 | 25,000 | 5,000 | 163,758 | 193,758 | — | — |
| | Sept. 28 | 25,000 | 5,000 | 195,376 | 225,376 | — | — |
| | Dec. 31 | 25,000 | 5,000 | 172,908 | 202,908 | — | — |
| 1926 | April 12 | 25,000 | 5,000 | 169,009 | 199,009 | — | — |
| | June 30 | 25,000 | 9,116 | 144,349 | 178,465 | — | — |
| | Dec. 31 | 25,000 | 9,727 | 166,744 | 201,471 | — | — |

THREE FORKS, MONTANA. LABOR NATIONAL BANK OF MONTANA —*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1927 | Mar. 23 | 25,000 | 8,986 | 175,582 | 209,568 | — | — |
| | June 30 | 25,000 | 11,599 | 161,199 | 209,798 | — | — |
| | Oct. 10 | 25,000 | 12,919 | 188,934 | 226,853 | July 5 | 5% |
| | Dec. 31 | 25,000 | 12,459 | 184,645 | 222,104 | — | — |
| 1928 | Feb. 28 | 25,000 | 13,294 | 178,396 | 216,690 | — | — |
| | June 30 | 25,000 | 10,704 | 192,818 | 228,522 | — | — |
| | Oct. 3 | 25,000 | 11,820 | 242,822 | 279,643 | — | — |
| | Dec. 31 | 25,000 | 10,533 | 218,205 | 254,988 | — | — |
| 1929 | Mar. 27 | 25,000 | 11,554 | 210,520 | 247,074 | Jan. 5 | 5% |
| | June 29 | 25,000 | 10,168 | 220,167 | 255,336 | — | — |

## THE AMERICAN BANK

TOLEDO, OHIO

*Date of opening:* July 6, 1925.

*Charter:* State; bank.

*Promotion and organization:* Initiative taken by officers of American Flint Glass Workers' Union, particularly William P. Clarke, president. Union had large funds available.

*Ownership and control:* About eighty-seven per cent of stock of bank owned by the American Flint Glass Workers' Union. This stock held by four officers as trustees for the Union. Outside public owns about five per cent of stock. Union willing to sell more to outsiders to secure greater distribution. Limit of twenty-five shares to others than members of the Union. May be increased to allow exceptions in cases where it would be to interest of bank. Provision in by-laws and on stock certificates that owners wishing to sell stock must first offer it to Union.

*Cooperative features:* No limitation on dividends to stockholders. Not policy of bank to pay dividends to depositors.

*Special services:* Bank does not make specialty of small loans; makes some character loans on endorsement by unions carrying accounts. Plans to develop mail deposits from members of Union in neighboring states.

*Relations with other banks:* Not member of Federal Reserve System but is member of clearing house.

*Personnel:* Ten directors, of whom four are officers of the American Flint Glass Workers' Union.

Four officers. President of Union is president of bank. Two officers have had previous banking experience.

Five employees; not unionized.

*General character of business:* About one-third is commercial. Probably twenty-five per cent of the bank's deposits are from trade union members. Support by labor group in community good.

TOLEDO, OHIO. THE AMERICAN BANK

*Opened July 6, 1925*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | Sept. 28 | $ 200,000 | $ 50,000 | $ 146,782 | $ 396,836 | — | — |
| | Dec. 31 | 200,000 | 50,000 | 307,466 | 557,466 | — | — |
| 1926 | April 8 | 200,000 | 50,000 | 458,532 | 711,371 | — | — |
| | June 30 | 200,000 | 50,000 | 509,947 | 761,393 | — | — |
| | Dec. 31 | 200,000 | 50,000 | 629,831 | 882,952 | — | — |
| 1927 | Mar. 23 | 200,000 | 50,000 | 673,973 | 953,304 | — | — |
| | June 30 | 200,000 | 50,000 | 720,197 | 998,032 | — | — |
| | Sept. 12 | 200,000 | 50,000 | 787,050 | 1,066,321 | — | — |
| | Dec. 31 | 200,000 | 50,000 | 753,135 | 1,032,374 | — | — |
| 1928 | Feb. 28 | 200,000 | 51,289 | 827,677 | 1,110,680 | — | — |
| | June 30 | 200,000 | 54,241 | 1,203,683 | 1,588,567 | — | — |
| | Oct. 3 | 200,000 | 57,843 | 1,252,770 | 1,649,275 | — | — |
| | Dec. 31 | 200,000 | 60,428 | 1,303,543 | 1,675,616 | — | — |
| 1929 | Mar. 27 | 200,000 | 64,238 | 1,528,025 | 2,009,394 | — | — |
| | June 29 | 200,000 | 70,466 | 1,604,600 | 2,087,707 | — | — |

## MOUNT VERNON SAVINGS BANK

WASHINGTON, D.C.

*Date of opening:* May 15, 1920.

*Charter:* State; savings bank. Incorporated under the laws of the State of West Virginia. Responsible to the Comptroller of the Currency.

*Promotion and organization:* Initiation and organization by officers of the International Association of Machinists, local machinists, and group of business men and bankers including president of the Commercial National Bank of Washington, D.C. Prior to organization of the Mount Vernon Savings Bank, the International Association had purchased stock in the Commercial National Bank. At no time, however, did they own a majority of the stock. Plan at first to put branch of Commercial National Bank in the Machinists Building. This was found to be impossible under banking laws. Mount Vernon Savings Bank then organized jointly by Machinists and banking and business group. Counting individual holdings of Machinists officers, union owned majority of stock. When stock increased in 1927, sold to union members through circularization. No commissions paid for stock sales.

*Ownership and control:* International Association of Machinists owns about fifty per cent of stock. In addition, certain officers of the

Machinists own stock individually, which gives the union control of stock. Group of business men and bankers own approximately forty-eight per cent. No limitation on the number of shares which one person or organization may hold. No restriction as to the resale of stock.

*Cooperative features:* No limitation on dividends to stockholders. Has never been policy of bank to pay dividends to savings depositors.

*Special services:* Bank remains open from 8:30 a.m. to 5:30 p.m. on the first, fifteenth, and sixteenth days of the month and on Saturday evenings, from 5 p.m. to 8:30 p.m., except during the summer.

Bank extends small loans on the endorsement of business agents. Borrower builds up deposits, on which he is paid three per cent. Pays off loan in lump sum. Bank charges seven per cent if endorser a member of union and eight per cent if not, including fees, etc. Loans limited to fund of $750,000. Experience with character loans has been very favorable.

Encourage mortgage loans.

*Relations with other banks:* Not member of Federal Reserve System. Member of clearing house.

*Personnel:* Twenty-one directors, of whom about seven are trade union representatives and others, business men.

Nine officers, of whom two are also officers of the International Association.

Twenty-three employees; not unionized.

*General character of business:* Practically all the trade unions in Washington deposit with the bank. About fifty per cent of the bank's depositors are trade union members. The bank's activities are about fifty per cent commercial and fifty per cent savings.

WASHINGTON, D.C. MOUNT VERNON SAVINGS BANK

*Opened May 15, 1920*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1920 | June 30 | $ 160,000 | $ 49,695 | $ 697,243 | $ 899,471 | — | — |
| | Sept. 8 | 160,000 | 54,315 | 999,230 | 1,216,977 | — | — |
| | Dec. 29 | 160,000 | 92,446 | 1,248,681 | 1,626,047 | — | — |
| 1921 | April 8 | 160,000 | 95,366 | 1,792,953 | 1,908,253 | — | — |
| | June 30 | 160,000 | 69,966 | 1,498,949 | 1,968,250 | — | — |
| | Sept. 6 | 160,000 | 94,805 | 1,651,150 | 2,045,811 | — | — |
| | Dec. 31 | 160,000 | 79,275 | 1,762,240 | 2,121,021 | Dec. 31 | 1% |
| 1922 | Mar. 10 | 160,000 | 105,055 | 1,911,832 | 2,227,674 | Mar. 31 | 1% |
| | June 30 | 160,000 | 90,114 | 2,036,657 | 2,369,514 | June 30 | 1% |
| | Sept. 15 | 160,000 | 139,484 | 2,299,486 | 2,689,182 | Sept. 30 | 1% |
| | Dec. 29 | 160,000 | 192,962 | 2,140,264 | 2,768,232 | Dec. 31 | 2% |

WASHINGTON, D.C. MOUNT VERNON SAVINGS BANK

*—Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | April 3 | 160,000 | 148,331 | 2,258,524 | 2,889,595 | Mar. 31 | 1% |
| | June 30 | 160,000 | 86,428 | 2,273,903 | 2,809,698 | June 30 | 1% |
| | Sept. 14 | 160,000 | 108,470 | 2,567,241 | 2,969,457 | Sept. 30 | 1% |
| | Dec. 31 | 160,000 | 72,615 | 2,250,891 | 2,802,413 | Dec. 31 | 2% |
| 1924 | Mar. 31 | 160,000 | 125,926 | 2,513,982 | 2,921,288 | Mar. 31 | 1% |
| | June 30 | 160,000 | 82,518 | 2,572,205 | 2,964,829 | June 30 | 1% |
| | Oct. 10 | 160,000 | 95,309 | 2,924,877 | 3,240,317 | Sept. 30 | 1% |
| | Dec. 31 | 160,000 | 96,191 | 2,889,504 | 3,249,691 | Dec. 31 | 3% |
| 1925 | April 6 | 160,000 | 105,581 | 3,139,296 | 3,589,746 | Mar. 31 | 1% |
| | June 30 | 160,000 | 105,269 | 3,247,181 | 3,682,175 | June 30 | 2% |
| | Sept. 28 | 160,000 | 175,926 | 3,484,292 | 3,893,491 | Sept. 30 | 1½% |
| | Dec. 31 | 160,000 | 126,891 | 3,543,958 | 3,957,204 | Dec. 31 | 1½% |
| 1926 | April 12 | 160,000 | 145,280 | 3,754,607 | 4,393,419 | Mar. 31 | 1½% |
| | June 30 | 160,000 | 144,208 | 4,239,818 | 4,825,216 | June 30 | 1½% |
| | | | | | | Sept. 30 | 1½% |
| | Dec. 31 | 160,000 | 147,193 | 4,164,466 | 5,008,572 | Dec. 31 | 2½% |
| 1927 | Mar. 23 | 160,000 | 155,503 | 3,925,305 | 4,316,941 | Mar. 31 | 1½% |
| | June 30 | 160,000 | 134,535 | 3,565,406 | 3,919,840 | June 30 | 1½% |
| | Oct. 10 | 160,000 | 125,198 | 3,620,389 | 3,986,830 | Sept. 30 | 1½% |
| | | | | | | Nov. 3 | 25%* |
| | Dec. 31 | 400,000 | 144,231 | 3,363,979 | 4,045,720 | Dec. 31 | 1½% |
| 1928 | Feb. 28 | 400,000 | 149,374 | 3,882,006 | 4,535,791 | Feb. 28 | 1½% |
| | June 30 | 400,000 | 151,822 | 3,730,431 | 4,374,575 | June 30 | 1½% |
| | Oct. 3 | 400,000 | 155,395 | 3,781,086 | 4,426,008 | Sept. 3 | 1½% |
| | Dec. 31 | 400,000 | 156,878 | 3,603,514 | 4,234,506 | Dec. 31 | 1½% |
| 1929 | Mar. 27 | 400,000 | 167,545 | 3,827,993 | 4,456,222 | April 1 | 1½% |
| | June 29 | 400,000 | 175,323 | 3,861,826 | 4,434,596 | June 30 | 1½% |

*Stock dividend.

## *II. LABOR BANKS WHICH HAVE BEEN DISCONTINUED*

### FIRST NATIONAL BANK IN BAKERSFIELD

BAKERSFIELD, CALIFORNIA

*Period of trade union control:* February 2, 1924 (purchased) to approximately January, 1927 (sold).

*Charter:* National; bank. Branch at East Bakersfield.

*Promotion and organization:* Group of promoters purchased controlling interest in The National Bank in Bakersfield from the Valley Holding Company at $140 a share and sold it at $150 to labor group. Committees of local members of four brotherhoods sold stock without commissions, chiefly to engineers and conductors. Original owners had given promoters $50,000 bond to cover possible assessments. This proved to be insufficient to meet assessments of $93, $103, and $27 levied. Promoters had guaranteed assessments and were obliged to meet balance.

*Ownership and control:* Majority of bank's stock held by local members of railroad brotherhoods. At height of labor control, seventy per cent of stock owned by labor; about twenty per cent at present. Planned to secure permanency of labor control by voting proxy and repurchase agreement. Neither effective.

*Cooperative features:* Stockholders' dividends originally limited in by-laws to ten per cent. Payment of dividends to savings depositors originally provided for in by-laws. No dividends paid.

*Special services:* No unusual services. Tried keeping open Saturday evenings but this brought business of cashing checks on other banks, which incurred risk.

*Relations with other banks:* Member of Federal Reserve System and of clearing house.

*Personnel:* Twenty-one directors, of whom one had previous experience. Originally eighteen labor representatives; labor members gradually replaced by business men and board reduced to eighteen members.

Eight officers, including manager of East Bakersfield branch. In main bank, three active officers (cashier and two assistants).

Ten employees; not unionized.

*Affiliated corporations:* Lincoln Holding Company held minority block of stock for brief period.

*General character of business:* Two-thirds commercial. Labor support poor.

*Circumstances of termination:* Shift from labor control gradual. Sale of stock by labor group began immediately after bank taken over in

1924. By January, 1927, labor no longer held majority of stock. Stock purchased by group including president and cashier of bank. Purchased partly from labor stockholders and partly from Lincoln Holding Company, at prices averaging $170. No assessments were paid by labor group, as those at beginning met by promoters.

BAKERSFIELD, CALIFORNIA. FIRST NATIONAL BANK IN BAKERSFIELD
*February 2, 1924—January, 1927**

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | TOTAL RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | Mar. 31 | $ 100,000 | $ 816 | $ 973,733 | $ 1,255,144 | — | — |
| | June 30 | 100,000 | 4,649 | 1,108,848 | 1,446,259 | — | — |
| | Oct. 10 | 100,000 | 1,937 | 1,045,678 | 1,247,615 | — | — |
| | Dec. 31 | 100,000 | 3,734 | 1,075,243 | 1,278,977 | — | — |
| 1925 | April 6 | 100,000 | 4,411 | 979,215 | 1,158,627 | — | — |
| | June 30 | 100,000 | 3,668 | 1,133,451 | 1,312,119 | — | — |
| | Sept. 28 | 100,000 | 8,954 | 1,325,089 | 1,508,994 | — | — |
| | Dec. 31 | 100,000 | 11,686 | 1,512,406 | 1,699,092 | — | — |
| 1926 | April 12 | 100,000 | 24,802 | 1,377,050 | 1,594,152 | — | — |
| | June 30 | 100,000 | 31,972 | 1,376,612 | 1,508,584 | — | — |
| | Dec. 31 | 100,000 | 25,384 | 1,511,711 | 1,637,095 | Dec. 31 | 4% |

*Date approximate.

## ENGINEERS BANK AND TRUST COMPANY

BIRMINGHAM, ALABAMA

*Period of trade union control:* October 2, 1922 (opened) to July, 1927 (holding company sold).

*Charter:* State; bank and trust company. The Federated Bank and Trust Company was in operation from October 2, 1922, to February 2, 1925, when its assets were taken over by the Brotherhood of Locomotive Engineers Bank and Trust Company. The name of this bank changed early in 1927 to the Engineers Bank and Trust Company.

*Promotion and organization:*

(A) Federated Bank and Trust Company. Representatives of the local division of the B. of L.E. and of other trade unions sold stock amounting to $30,000 to local trade union members and business men. The Brotherhood Investment Company purchased the remaining $95,000 of stock.

(B) Brotherhood of Locomotive Engineers Bank and Trust Company. Capitalization increased from $125,000 to $500,000. Minority stock sold locally by New York firm on ten per cent commission.

Stock of Southern Brotherhood of Locomotive Engineers Securities Corporation, which provided majority of capital, sold locally by same firm on basis of ten per cent commission and office expenses.

*Ownership and control:*

(A) Federated Bank and Trust Company. About twenty-five per cent of stock owned by local trade union members and business men and about seventy-five per cent by Brotherhood Investment Company. In order to prevent the sale of stock to nonunion interests, had agreement with stockholders that all stock offered for sale was to be repurchased by bank at par. Many requests for repurchase; stock became practically a demand note.

(B) Brotherhood of Locomotive Engineers Bank and Trust Company. About fifty-five per cent of stock owned by Southern Brotherhood of Locomotive Engineers Securities Corporation. Repurchase agreement omitted.

*Cooperative features:* Stockholders' dividends limited to ten per cent by Federated Bank and Trust Company. Brotherhood of Locomotive Engineers Bank and Trust Company removed limitation.

Payment of dividends to savings depositors provided for in Federated Bank and Trust Company but none paid. Provision omitted from Brotherhood of Locomotive Engineers Bank and Trust Company.

*Relations with other banks:* Federated Bank and Trust Company not a member of Federal Reserve System nor of clearing house. Brotherhood of Locomotive Engineers Bank and Trust Company member of clearing house only. Engineers Bank and Trust Company member of both.

*Personnel:* Fifteen directors, of whom the majority were engineers. Business men on the board throughout.

Five officers, all active, including two assistant cashiers. One active vice-president, former engineer.

Approximately six employees in 1924; thirteen in 1927. Not unionized.

*Affiliated corporations:* Brotherhood Investment Company, Southern Brotherhood of Locomotive Engineers Securities Corporation and various B. of L.E. enterprises.

*General character of business:* Funds placed largely in commercial loans. Labor support poor.

*Circumstances of termination:* Controlling interest in the Southern Brotherhood of Locomotive Engineers Securities Corporation sold July, 1927, during B. of L.E. convention to a local group of stockholders and business men.

BIRMINGHAM, ALABAMA. ENGINEERS BANK AND TRUST COMPANY

*October 2, 1922—July, 1927*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1922 | Dec. 29* | $ 125,000 | $ 12,500 | $ 258,000 | $ 372,000 | — | — |
| 1923 | April 3† | | | | | | |
| | June 30† | | | | | | |
| | Sept. 14† | | | | | | |
| | Dec. 31 | 125,000 | 9,432 | 515,576 | 652,731 | — | — |
| 1924 | Mar. 31† | | | | | | |
| | June 30† | | | | | | |
| | Oct. 1 | 125,000 | 23,067 | 534,593 | 714,108 | — | — |
| | Dec. 31* | 125,000 | 31,590 | 550,650 | 707,230 | | |
| 1925 | April 6 | 500,000 | 52,988 | 1,030,913 | 1,583,901 | — | — |
| | June 23 | 500,000 | 60,003 | 1,153,698 | 1,713,701 | — | — |
| | Sept. 28 | 500,000 | 82,604 | 1,389,421 | 1,972,025 | — | — |
| | Dec. 31 | 500,000 | 85,347 | 1,568,843 | 2,154,190 | Dec. 31 | 6% |
| 1926 | Mar. 12 | 500,000 | 72,576 | 1,416,125 | 1,998,590 | — | — |
| | June 30 | 500,000 | 58,821 | 1,243,217 | 1,860,492 | — | — |
| | Dec. 31 | 500,000 | 69,560 | 1,261,803 | 2,116,300 | — | — |
| 1927 | Mar. 23 | 500,000 | 71,533 | 1,268,660 | 2,161,070 | — | — |
| | June 30 | 500,000 | 71,288 | 1,379,211 | 2,408,350 | — | — |

*Date approximate.
†Statement not available.

## NOTTINGHAM SAVINGS AND BANKING COMPANY

CLEVELAND, OHIO

*Period of trade union control:* April, 1922 (purchased) to approximately June, 1929 (sold).

*Charter:* State; bank.

*Promotion and organization:* Brotherhood Holding Company (controlled by B. of L.E.) purchased seventy per cent of stock of savings bank already in existence. Bank stock not sold to members.

*Ownership and control:* Originally controlled by Brotherhood Holding Company through ownership of majority of stock. Stock later purchased at cost from Brotherhood Holding Company by Brotherhood Investment Company (controlled by B. of L.E.), which held about eighty-three per cent of the stock. No unions except B. of L.E. interested. Scattered holdings by nonlabor groups. Some of earlier stockholders kept their shares. No limitation on individual holdings and no repurchase agreement.

*Cooperative features:* Dividends to stockholders originally limited to ten per cent but limitation not considered in effect. Payment of dividends to savings depositors not policy of bank.

*Relations with other banks:* Not a member of Federal Reserve nor of clearing house.

*Personnel:* Fifteen directors, of whom eight were engineers and seven were members retained from the board of directors of the earlier bank.

Four officers, of whom two were active (president and secretary-treasurer). None of officers were engineers. Management of bank closely associated with that of Cleveland bank.

Three employees; not unionized.

*Affiliated corporations:* Brotherhood Holding Company, Brotherhood Investment Company, and various B. of L.E. enterprises.

*General character of business:* Approximately 2,000 savings depositors and 1,000 commercial. Bank near railroad shops, but location did not bring amount of business expected. Labor support poor.

*Circumstances of termination:* Bank sold approximately June, 1929, to local interests.

CLEVELAND, OHIO. NOTTINGHAM SAVINGS AND BANKING COMPANY

*April, 1922—Approximately June, 1929*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1922 | June 30 | $ 75,000 | $ 6,000 | $ 442,000 | $ 544,756 | — | — |
| | Sept. 15 | 75,000 | 6,000 | 439,300 | 522,314 | — | — |
| | Dec. 29 | 75,000 | 6,000 | 458,000 | 545,700 | — | — |
| 1923 | April 3 | 75,000 | 6,000 | 492,100 | 575,600 | — | — |
| | June 30 | 75,000 | 93 | 535,300 | 610,300 | — | — |
| | Sept. 14 | 75,000 | 225 | 553,200 | 628,500 | — | — |
| | Dec. 31 | 75,000 | 8,586 | 594,100 | 678,200 | — | — |
| 1924 | Mar. 31 | 75,000 | 6,944 | 578,140 | 664,649 | — | — |
| | June 30 | 75,000 | 7,461 | 638,000 | 721,400 | — | — |
| | Oct. 10 | 75,000 | 6,559 | 684,240 | 771,385 | — | — |
| | Dec. 31 | 75,000 | 7,283 | 620,600 | 705,054 | — | — |
| 1925 | Mar. 30 | 75,000 | 11,831 | 691,300 | 848,200 | — | — |
| | June 30 | 75,000 | 8,508 | 721,378 | 829,885 | — | — |
| | Sept. 28 | 75,000 | 11,898 | 724,110 | 836,007 | — | — |
| | Dec. 31 | 75,000 | 5,704 | 680,571 | 841,275 | — | — |
| 1926 | April 8 | 75,000 | 8,854 | 669,840 | 823,694 | — | — |
| | June 30 | 75,000 | 6,648 | 747,688 | 836,835 | — | — |
| | Dec. 31 | 75,000 | 11,119 | 751,908 | 845,527 | — | — |
| 1927 | Mar. 23 | 75,000 | 17,974 | 724,732 | 825,205 | — | — |
| | June 30 | 75,000 | 17,482 | 799,026 | 891,508 | — | — |
| | Sept. 12 | 75,000 | 23,245 | 766,589 | 864,842 | — | — |
| | Dec. 31 | 75,000 | 19,806 | 726,692 | 821,885 | — | — |
| 1928 | Feb. 28 | 75,000 | 22,800 | 692,000 | 790,300 | — | — |
| | June 30 | 75,000 | 21,689 | 798,717 | 895,693 | — | — |
| | Oct. 3 | 75,000 | 23,678 | 763,503 | 862,249 | — | — |
| | Dec. 31 | 75,000 | 19,030 | 782,609 | 876,648 | — | — |
| 1929 | Mar. 27 | 75,000 | 23,638 | 776,073 | 874,721 | — | — |

## LABOR BANK AND TRUST COMPANY

### HOUSTON, TEXAS

*Period of trade union control:* November 16, 1925 (opened) to September 4, 1928 (assets sold).

*Charter:* State; bank and trust company.

*Promotion and organization:* First attempt to organize labor bank in Houston made by promoters from outside. Sold stock at $150, of which $30 was for commissions, $10 for furniture and fixtures for bank, and $10 for surplus. Approximately $50,000 subscribed when found that Texas law prohibited commissions on bank stock and promoters forced to liquidate proposition. Investors lost from thirty to forty dollars a share. Following failure of this promotion, a separate enterprise sponsored by local labor group organized. Stock sold by large committee in drive lasting about three months. No commissions. Paid for in installments.

*Ownership and control:* Impossible under Texas banking laws for organizations to hold bank stock. Approximately ninety per cent of stock held by members of local unions and ten per cent by outside public. No limitation on number of shares owned by individuals. Texas law forbids restriction of resale of stock by holders.

*Cooperative features:* Limitation of stockholders' dividends is impossible under Texas banking laws. Payment of dividends to savings depositors not policy of bank.

*Special services:* Small loans made for thirty, sixty, or ninety days. Interest in advance; one dollar minimum interest. One-fourth to one-half reduction required on renewals after ninety days. Bank open daily from 8:30 a.m. to 6 p.m. except Saturdays when open until 8 p.m. Several Houston banks keep long hours but generally to 5 p.m. only.

*Relations with other banks:* Not member of Federal Reserve System nor of clearing house.

*Personnel:* Twelve directors; four were business or professional men, two officers of bank, six trade union members.

Eight officers, of whom four were active (vice-president and cashier, vice-president and trust officer, and two assistant cashiers).

Seven employees; not unionized.

*General character of business:* Real estate financing most important business of bank. Service charges source of income. About 1,200 savings depositors and 2,300 checking depositors. About fifty per cent of depositors were trade union members. Bank had deposits from most of large unions.

*Circumstances of termination:* On September 4, 1928, bank's assets sold

to Marine Banking and Trust Company and business merged. First liquidation dividend sixty dollars a share paid stockholders. Reported stock will finally liquidate at sixty-five to seventy-five dollars a share. Bank said to have needed more capital to succeed.

HOUSTON, TEXAS. LABOR BANK AND TRUST COMPANY

*November 16, 1925—September 4, 1928*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | Dec. 31 | $ 100,000 | $ 10,000 | $ 210,443 | $ 320,443 | — | — |
| 1926 | April 12 | 100,000 | 10,000 | 230,273 | 340,273 | — | — |
| | June 30 | 100,000 | 10,372 | 325,741 | 436,114 | — | — |
| | Dec. 31 | 100,000 | 19,843 | 338,069 | 460,111 | — | — |
| 1927 | Mar. 23 | 100,000 | 15,727 | 371,240 | 488,649 | — | — |
| | June 30 | 100,000 | 16,154 | 400,628 | 518,339 | — | — |
| | Oct. 10 | 100,000 | 15,261 | 382,891 | 501,035 | — | — |
| | Dec. 31 | 100,000 | 12,495 | 388,615 | 503,910 | — | — |
| 1928 | Feb. 28 | 100,000 | 14,072 | 355,112 | 469,512 | — | — |
| | June 30 | 100,000 | 3,951 | 423,878 | 528,888 | — | — |

## THE PEOPLES NATIONAL BANK OF LOS ANGELES

LOS ANGELES, CALIFORNIA

*Period of trade union control:* April 26, 1924 (opened) to May, 1928 (sold following assessment).

*Charter:* Originally state bank. June 1, 1925, reorganized as national bank. No trust functions. Owned controlling interest in the Eagle Rock State Bank for a short time.

*Promotion and organization:* Promoted by outside group who interested the Central Labor Council. Stock sold by outside salesmen on commission.

*Ownership and control:* Fifty-one per cent of stock owned by local A.F. of L. groups, including stock held by the Peoples Mortgage Company (labor controlled). At first there was a voting trust arrangement but this was no longer permitted after bank became national. There was also a repurchase agreement, which proved ineffective since the controlling group was not prepared to purchase stock offered for sale. Gradual transfer of stock from labor for two or three years. Lincoln Holding Company took over Peoples Mortgage Company and purchased stock in bank with aim of acquiring control. Was later obliged to sell. Between December, 1927, and May, 1928, control of bank passed to syndicate composed of six Los Angeles business men and bankers who purchased stock from labor interests and from Lincoln Holding Company. By May, 1928, syndicate owned control. Since

transfer, trade union groups or members own about seventeen per cent of stock.

*Cooperative features:* Stockholders' dividends were limited to ten per cent. Payment of dividends to savings depositors announced policy of bank. None paid.

*Special services:* Small loans made for sums less than $200 at eight per cent. Method of repayment either by installment or in lump sum. Some loans proved difficult to collect and losses occurred.

At first bank open from 9 a.m. to 4:30 p.m. daily and from 9 a.m. to 9 p.m. Saturdays. Hours afterward shortened to those usual in city except for Saturday evenings, from 6 p.m. to 8 p.m.

*Relations with other banks:* Member of Federal Reserve System and of clearing house.

*Personnel:* Originally thirty directors, of whom sixteen represented labor. Later reduced to twenty-one, of whom eleven represented labor.

At first there were ten active officers and three or four inactive. One of the principal officers had had previous banking experience; others, trade union officers or promoters.

Approximately thirty to forty employees; unionized.

*Affiliated corporations:* Peoples Mortgage Company and Peoples Building and Loan organized by group of bank officers or directors. Lincoln Holding Company formed by promoters to control chain of labor banks in the Southwest. Purchased stock in bank and took over Peoples Mortgage Company. Later sold stock in bank to purchasing syndicate.

*General character of business:* About fifty per cent of business savings; fifty per cent commercial. Trade union groups or members furnished nearly all the depositors at first, later about seventy-five per cent, now about ten per cent.

*Circumstances of termination:* Transfer of stock had been going on for some time. Early in 1928 found necessary to assess stock $23.54 a share. Syndicate gave stockholders three choices. (1) Pay assessment in full. (2) Exchange their old stock at one hundred dollars par, for four shares of stock in the reorganized bank, each share twenty-five dollars par. The purchasing syndicate was to be allowed one of these twenty-five dollar shares (paying adjustment of $1.46 i.e. $25 minus $23.54) and was to meet the assessment on the original $100. (3) Sell shares to the syndicate for seventy-five dollars. Many labor owners took alternatives (2) or (3) thus selling part or all of stock to the syndicate. Lincoln Holding Company found it necessary to sell its stock. By May, 1928, control had passed to new management. Since transfer, stock reduced in par amount on books from $500,000 to $250,000 with

no refund. Old stockholders given rights to increase stock back to $500,000 through cash purchase. Effect has been to reduce further labor holding.

LOS ANGELES, CALIFORNIA. THE PEOPLES NATIONAL BANK OF LOS ANGELES

*April 6, 1924—May, 1928*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | June 30 | $ 500,000 | $ 125,000 | $ 784,829 | $ 1,420,148 | — | — |
| | Oct. 10 | 500,000 | 88,766 | 1,785,540 | 2,395,177 | — | — |
| | Dec. 31 | 500,000 | 74,174 | 2,047,981 | 2,636,268 | — | — |
| 1925 | April 6 | 500,000 | 80,823 | 2,079,434 | 2,673,551 | — | — |
| | June 30 | 500,000 | 70,156 | 2,260,601 | 2,841,629 | — | — |
| | Sept. 28 | 500,000 | 79,256 | 2,394,533 | 3,154,817 | — | — |
| | Dec. 31 | 500,000 | 71,683 | 2,627,964 | 3,312,773 | — | — |
| 1926 | April 12 | 500,000 | 84,088 | 2,842,853 | 3,558,626 | — | — |
| | June 30 | 500,000 | 70,000 | 3,192,675 | 3,878,102 | — | — |
| | Dec. 31 | 500,000 | 65,163 | 3,520,701 | 4,206,603 | — | — |
| 1927 | Mar. 23 | 500,000 | 86,144 | 3,421,261 | 4,154,944 | — | — |
| | June 30 | 500,000 | 70,967 | 3,601,595 | 4,367,775 | — | — |
| | Oct. 10 | 500,000 | 73,426 | 3,245,500 | 4,046,786 | — | — |
| | Dec. 31 | 500,000 | 6,876 | 3,492,973 | 4,165,075 | — | — |
| 1928 | Feb. 28 | 500,000 | 14,570 | 3,245,788 | 3,942,356 | — | — |

## BROTHERHOOD OF LOCOMOTIVE ENGINEERS CO-OPERATIVE TRUST COMPANY

NEW YORK, NEW YORK

*Period of trade union control:* December 29, 1923 (opened) to August 4, 1926 (sold).

*Charter:* State; bank and trust company.

*Promotion and organization:* Promoted by B. of L.E. officers at Cleveland and their representatives. Resolutions opposing the purchase of stock in the bank adopted by the New York City Central Trades and Labor Council. In October, 1924, bank purchased Terminal Exchange Branch of Hudson Trust Company, when latter was taken over by the Empire Trust Company. Terminal Exchange Branch had resources of about $3,000,000.

*Ownership and control:* Controlling interest in stock originally owned by the Brotherhood Investment Company, afterward sold to the Brotherhood Securities Company of New York which was set up as a holding company. No limitation on the number of shares which one individual or organization was allowed to own.

*Cooperative features:* Dividends to stockholders limited to ten per cent

on the amount invested. Policy to pay dividends to savings depositors. None paid.

*Personnel:* The president, vice-president, and most of the directors were officers of the B. of L.E.

*Affiliated corporations:* Brotherhood Investment Company, Brotherhood Securities Company of New York, and other B. of L.E. enterprises.

*Circumstances of termination:* Purchased August 4, 1926, by the Terminal Trust Company group headed by former vice-president of bank.

NEW YORK, NEW YORK. BROTHERHOOD OF LOCOMOTIVE ENGINEERS CO-OPERATIVE TRUST COMPANY

*December 29, 1923—August 4, 1926*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | Mar. 20 | $ 500,000 | $ 251,390 | $ 1,400,797 | $2,154,687 | — | — |
| | June 30 | 500,000 | 252,236 | 1,614,042 | 2,369,778 | — | — |
| | Sept. 29 | 500,000 | 252,685 | 1,613,030 | 2,386,852 | — | — |
| | Nov. 15 | 700,000 | 253,528 | 5,218,301 | 6,712,803 | — | — |
| 1925 | Mar. 25 | 700,000 | 276,949 | 5,102,315 | 7,289,607 | — | — |
| | June 30 | 700,000 | 266,563 | 5,305,154 | 7,343,157 | — | — |
| | Sept. 30 | 700,000 | 260,585 | 5,515,255 | 6,756,869 | — | — |
| | Nov. 14 | 700,000 | 259,958 | 6,062,628 | 7,315,349 | — | — |
| 1926 | Mar. 25 | 700,000 | 263,563 | 6,528,554 | 7,951,802 | — | — |
| | June 30 | 700,000 | 269,255 | 5,314,633 | 6,894,418 | — | — |

## INTERNATIONAL UNION BANK

NEW YORK, NEW YORK

*Period of trade union control:* January 5, 1924 (opened) to December 31, 1927 (controlling interest in stock sold).

*Charter:* State; bank.

*Promotion and organization:* Organized by the officers of the International Ladies' Garment Workers' Union (I.L.G.W.).

*Ownership and control:* Controlling interest owned by the I.L.G.W. and its subsidiary organizations. Stock owned also by the United Cloth Hat, Cap and Millinery Workers' Union, the United Leather Goods Workers' International Union, the International Fur Workers' Union, and the Forward Association (publishers of the *Jewish Daily Forward*).

*Cooperative features:* Reported policy of bank to limit dividends to stockholders to ten per cent and to pay dividends to savings depositors. No dividends were paid.

*Special services:* Went into business of foreign remittances, although not to the same extent as the Amalgamated banks. Plans under way for

building cooperative apartments to be financed in part by bank; postponed because of disturbances within the union.

*Relations with other banks:* Member of Federal Reserve System.

*Personnel:* Practically all the directors were trade union officers. Since change in control, business directors have been brought in.

Bank had four officers of whom one (vice-president and general manager) had had previous experience. Two were trade union officers.

About thirty employees.

*General character of business:* Support of labor group in community poor. Investment in listed bonds important as a source of profit. Community commercial business developed to extent permitted by free funds.

*Circumstances of termination:* Control of the bank passed into private hands because the I.L.G.W. obliged to sell stock to repay sums borrowed from the bank in connection with strikes. Various units of the Union had borrowed from the bank sums reported to total $389,000. Collateral included large part of stock in the bank. In order to repay the loan, the Union found it necessary to sell stock to such an extent that it no longer held control. The transfer took some time but was completed by the end of 1927. The stock was purchased by a group of four or five individuals interested in banking as a profitable enterprise.

NEW YORK, NEW YORK. INTERNATIONAL UNION BANK

*January 5, 1924—December 31, 1927*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1924 | Mar. 20 | $ 250,000 | $ 214,830 | $ 1,401,522 | $ 1,872,460 | — | — |
| | June 30 | 250,000 | 211,137 | 1,821,148 | 2,288,579 | — | — |
| | Sept. 29 | 250,000 | 207,054 | 2,672,231 | 3,166,089 | — | — |
| | Dec. 31 | 250,000 | 205,193 | 3,362,233 | 3,830,407 | — | — |
| 1925 | Mar. 25* | 250,000 | 205,632 | 3,345,476 | † | — | — |
| | June 30 | 250,000 | 206,757 | 3,730,200 | 4,230,324 | — | — |
| | Nov. 14* | 250,000 | 208,391 | 3,547,414 | † | — | — |
| | Dec. 31 | 250,000 | 205,279 | 3,548,075 | 4,027,673 | — | — |
| 1926 | Mar. 25 | 250,000 | 207,858 | 3,556,515 | 4,075,050 | — | — |
| | June 30 | 250,000 | 205,500 | 3,561,546 | 4,069,086 | — | — |
| | Dec. 31 | 250,000 | 209,274 | 3,512,437 | 4,005,226 | — | — |
| 1927 | Mar. 23 | 250,000 | 215,483 | 3,645,945 | 4,153,580 | — | — |
| | June 30 | 250,000 | 216,524 | 4,067,064 | 4,654,279 | — | — |
| | Sept. 30 | 250,000 | 223,034 | 3,697,958 | 4,320,564 | — | — |
| | Dec. 31 | 250,000 | 235,517 | 3,777,347 | 4,331,034 | — | — |

*Date approximate.

†Figure for resources not available.

## THE AMALGAMATED BANK OF PHILADELPHIA

PHILADELPHIA, PENNSYLVANIA

*Period of trade union control:* April 11, 1925 (opened) to March, 1926 (liquidated).

*Charter:* State; private bank. The Amalgamated Bank opened April 11, 1925. Trust functions were to have been added and the Amalgamated Bank and Trust Company was incorporated on September 18, 1925. The trust company, however, never opened for busniess and the Department of Banking of Pennsylvania applied to the courts for a dissolution of the charter, which was granted. The bank was liquidated in March, 1926.

*Promotion and organization:* By officers of A.C.W.A.

*Ownership and control:* Owned by the A.C.W.A.

*Circumstances of termination:* Liquidated in March, 1926, with negligible expense. The business of the bank, particularly foreign transmissions, on which the union had depended, did not develop to the extent expected.[1]

PHILADELPHIA, PENNSYLVANIA. THE AMALGAMATED BANK OF PHILADELPHIA*

*April 11, 1925—March, 1926*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | June 30 | | | | | | |
| | Sept. 28 | | | | | | |
| | Dec. 31 | $ 3,658 | | $ 67,027 | $ 70,999 | — | — |

*Other figures not available.

## BROTHERHOOD OF LOCOMOTIVE ENGINEERS TITLE AND TRUST COMPANY

PHILADELPHIA, PENNSYLVANIA

*Period of trade union control:* April 18, 1925 (opened) to May 31, 1927 (sold).

*Charter:* State; title and trust company with banking powers.

*Promotion and organization:* Promoted by group of local members of B. of L.E. aided by national B. of L.E. organization. Funds for control of bank secured by Brotherhood of Locomotive Engineers Securities Corporation of Pennsylvania from local sales of its stock.

*Ownership and control:* Brotherhood of Locomotive Engineers Securities Corporation of Pennsylvania owned approximately fifty-one per cent

[1] *Bloomfield's Labor Digest*, April 24, 1926, v. 20, p. 3457. Quoting an official statement of the union.

of the stock; B. of L.E. members, thirty-nine per cent; outside business men, ten per cent. No limitation on the number of shares which could be owned by one person or organization. No restriction on the resale of stock.

*Cooperative features:* Limitation of dividends to stockholders and payment of dividends to savings depositors not policy of bank.

*Special services:* Bank offered financial advice to small depositors to extent probably unusual in community. Open Monday and Friday from 9 a.m. to 9 p.m.

*Relations with other banks:* Not member of Federal Reserve System nor of clearing house.

*Personnel:* Eleven to twelve directors. Eight were engineers, of whom one had previous investment experience. Three or four business directors, all experienced.

Four officers, of whom two (president, and assistant secretary and treasurer) were experienced bankers; number later increased to seven to include the manager of the bond department, title officer, and trust officer.

Twelve employees; not unionized.

*Affiliated corporations:* Brotherhood of Locomotive Engineers Securities Corporation of Pennsylvania and various Engineers' enterprises.

*General character of business:* Bond department well developed. Community savings and commercial business developed slowly.

*Circumstances of termination:* Bank merged with Mitten Men and Management Bank and Trust Company of Philadelphia on May 31, 1927. Stockholders given choice of cash payment of forty-five dollars a share or exchange on basis of two shares of B. of L.E. bank for one share Mitten bank. Practically all stock exchanged. B. of L.E. bank had to compete with Mitten Men and Management bank which appealed to same class of depositors. Sale was probably hastened by serious financial situation of sponsoring organization.

PHILADELPHIA, PENNSYLVANIA. BROTHERHOOD OF LOCOMOTIVE ENGINEERS TITLE AND TRUST COMPANY

*April 18, 1925—May 31, 1927*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATES | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | June 30 | $ 500,000 | $ 250,000 | $ 451,184 | $ 1,201,194 | — | — |
| | Sept. 28 | 500,000 | 250,000 | 839,100 | 1,589,678 | — | — |
| | Dec. 31 | 500,000 | 250,000 | 815,910 | 1,566,820 | — | — |
| 1926 | April 12 | 500,000 | 251,941 | 1,103,956 | 1,942,339 | — | — |
| | June 30 | 500,000 | 252,623 | 1,134,074 | 1,891,705 | — | — |
| | Dec. 31 | 500,000 | 257,495 | 1,247,002 | 2,051,612 | — | — |
| 1927 | Mar. 23 | 500,000 | 260,265 | 1,373,716 | 2,368,527 | — | — |

## PRODUCERS AND CONSUMERS BANK

### PHILADELPHIA, PENNSYLVANIA

*Period of trade union control:* February 1, 1922 (opened) to May 4, 1925 (failed).

*Charter:* Private bank created under a declaration of trust opened February 1, 1922. On May 3, 1922, secured charter under title of Producers and Consumers Trust Company of Philadelphia. Trust company never opened for business but went into voluntary liquidation and the charter was dissolved on July 15, 1924. The Producers and Consumers Bank went into a receivership on May 4, 1925.

*Promotion and organization:* Members of Central Labor Union of Philadelphia active in initiating bank, particularly local chapters of the Carpenters, Full Fashioned Hosiery Workers, and the National Federation of Federal Employees. Organization opposed by leaders of cooperative movement.

*Ownership and control:* Ownership of stock widely scattered, largely among A.F. of L. locals. No limitation on the number of shares of stock owned by one person or organization. Stock not limited to trade unions or members. No restriction concerning resale. Over eighty per cent of stock reported to have been owned by union organizations and their members.

*Cooperative features:* Dividends to shareholders limited to eight per cent annually, cumulative. Dividends to savings depositors permissive after eight per cent cumulative dividend paid to shareholders and two per cent transferred to surplus. No dividends paid.

*Special services:* Bank open daily from 9 a.m. to 10 p.m. Small loans made on real estate as collateral.

*Relations with other banks:* Free from examination and supervision by the State Banking Department because of guarantee deposited in accordance with the Private Banking Act of June 19, 1911 (Pennsylvania).

*Personnel:* Twelve directors, all of whom were trade union officers and none of whom had had previous experience. Charter provided that at least three-fifths of the board of directors should consist of labor representatives.

Bank had four officers, two of whom were trade union officers and two of whom had had previous banking experience.

Twenty employees; not unionized.

*General character of business:* Bank's business was approximately sixty per cent savings and forty per cent commercial. About twenty-five per cent of deposits came from trade unions or from union members.

*Circumstances of termination:* On May 4, 1925, bank closed and tempo-

rary receiver appointed. Bank reported to have been in weak position for over two years. Inefficient management, including loans to poor risks, friends, etc., underlying cause of failure. Loans extended under misunderstanding concerning site of Sesqui-Centennial Exposition probably contributing cause.

Deposits at time of failure approximately $1,300,000. Assets estimated to yield fifty-five per cent to depositors and nothing to stockholders.

Mitten Management, of Philadelphia, offered to take over the assets and liabilities of defunct bank and to reimburse depositors and stockholders under the following conditions. (1) The Mitten Men and Management Bank and Trust Company to be established. (2) Depositors given option of receiving sixty per cent of deposits or of leaving this amount on deposit with the new bank. (3) Shareholders offered opportunity to subscribe for stock in new bank to an amount equal to the par value of their holding in the Producers and Consumers Bank. (4) Net profits of the new bank were to be distributed as follows: (a) to the depositors until they should have received forty per cent in addition to their deposits with the Producers and Consumers Bank; (b) to the shareholders until they should have received an amount equal to the par value of their shares in the Producers and Consumers Bank.

In November, 1926, Mitten Management credited accounts of the 1,168 depositors in the Producers and Consumers Bank who had left their deposits in new bank with total of $175,612.52, bringing their deposits to the full original sum. In December of same year, Mitten Management credited accounts of the 194 stockholders who had resubscribed in the new bank with $35,590, thus reimbursing them for the full amount of their original subscription to stock in the Producers and Consumers Bank.[1]

PHILADELPHIA, PENNSYLVANIA. PRODUCERS AND CONSUMERS BANK
*February 1, 1922—May 4, 1925*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1922 | Mar. 10 | $ 80,140 | $ 6,488 | $ 340,090 | $ 426,886 | — | — |
| | June 30* | 200,000 | 30,000 | 550,520 | 780,510 | — | — |
| | Sept. 12 | 130,170 | 11,516 | 776,929 | 956,110 | — | — |
| | Dec. 29* | 178,390 | 15,130 | 957,690 | 1,222,340 | — | — |

*Date approximate.

[1]For a complete statement concerning the relations between the Mitten Men and Management Bank and Trust Company and the depositors and stockholders of the Producers and Consumers Bank see *Service Talks* for January 21, February 4, July 15, November 25, and December 25, 1926.

PHILADELPHIA, PENNSYLVANIA. PRODUCERS AND CONSUMERS BANK —*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | April 3 | 174,080 | 34,108 | 997,863 | 1,301,274 | — | — |
| | June 30 | 184,890 | 33,995 | 1,071,252 | 1,431,864 | — | — |
| | Sept. 14 | 189,630 | 32,608 | 1,099,048 | 1,496,130 | — | — |
| | Dec. 31 | 203,630 | 32,634 | 1,274,401 | 1,669,815 | — | — |
| 1924 | Mar. 31 | 203,630 | 33,757 | 1,404,152 | 1,799,560 | — | — |
| | July 22 | 203,693 | 34,391 | 1,609,882 | 3,026,086 | — | — |
| | Oct. 10* | 203,363 | 76,120 | 1,451,360 | 2,809,010 | — | — |
| | Dec. 31 | 203,997 | 77,188 | 1,364,670 | 2,706,977 | — | — |
| 1925 | April 6 | 205,058 | 71,278 | 1,410,459 | 2,746,699 | — | — |

*Date approximate.

## BROTHERHOOD SAVINGS AND TRUST COMPANY

PITTSBURGH, PENNSYLVANIA

*Period of trade union control:* August 25, 1923 (opened) to October 16, 1926 (failed).

*Charter:* State; savings and trust company.

*Promotion and organization:* Organized by Pittsburgh labor group, including local railroad brotherhoods and A.F. of L. groups. Probably influenced by growth of Cleveland bank and advice of Cleveland group.

*Ownership and control:* Bank organized by group of twenty-six labor unions, thirteen railroad and thirteen A.F. of L. locals; number later increased to fifty-seven, including thirteen railroads and forty-four A.F. of L. locals. Limited amount of stock offered to the general public.

*Cooperative features:* Dividends on stock limited to ten per cent on par value. Payment of dividends to savings depositors policy of bank. No dividends paid.

*Circumstances of termination:* Bank closed by Pennsylvania Department of Banking on October 16, 1926. Bank had been in poor condition for some time, due to bad loans and inefficient management. Attempts had been made to sell bank. Immediate cause of closing was loss of $102,500 in bond swindle. Bond salesman represented that he could obtain Liberty Loan bonds for bank at remarkable bargain. Secured money from the bank without delivering bonds and disappeared. Bank closed the next day. Funds afterward recovered by detectives. Salesman and accomplice arrested and convicted. President, vice-president, and treasurer later tried for complicity and acquitted. Bank

depositors received in September, 1927, a liquidation dividend of seventy per cent. Expected that two subsequent dividends of fifteen per cent each will be paid, thus reimbursing depositors. Reported as probable that the assets will be insufficient to pay anything to the stockholders.

PITTSBURGH, PENNSYLVANIA. BROTHERHOOD SAVINGS AND TRUST COMPANY

*August 25, 1923—October 16, 1926*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATES | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | Sept. 29 | $ 125,000 | $ 89 | $ 88,509 | $ 214,195 | — | — |
| | Dec. 31 | 125,000 | 1,169 | 234,560 | 365,429 | — | — |
| 1924 | Mar. 31 | 137,964 | 1,844 | 346,524 | 486,331 | — | — |
| | June 30 | 138,470 | 1,731 | 431,060 | 571,261 | — | — |
| | Sept. 19 | 138,470 | 1,801 | 462,712 | 612,982 | — | — |
| | Dec. 31 | 138,470 | 1,570 | 477,687 | 627,726 | — | — |
| 1925 | April 9 | 138,110 | 1,112 | 490,385 | 659,607 | — | — |
| | June 30 | 138,070 | 220 | 485,725 | 655,816 | — | — |
| | Sept. 28 | 147,573 | 2,620 | 480,926 | 646,119 | — | — |
| | Dec. 31 | 160,414 | 5,747 | 544,847 | 726,011 | — | — |
| 1926 | April 12 | 166,329 | 6,474 | 525,759 | 698,563 | — | — |
| | June 30 | 161,600 | 8,467 | 557,982 | 748,049 | — | — |
| | Sept. 27 | 169,902 | 7,698 | 569,590 | 737,195 | — | — |

## SAN BERNARDINO VALLEY BANK

SAN BERNARDINO, CALIFORNIA

*Period of trade union control:* May 5, 1922 (opened) to approximately May, 1928 (sold).

*Charter:* State; bank. Branches at Barstow and Needles, California. Barstow branch established by bank; Needles branch purchased.

*Promotion and organization:* Organized by group of promoters, who later promoted Bakersfield and Los Angeles banks, and local trade union members of both A.F. of L. unions and railroad brotherhoods. Purposes probably included promotion as a profitable investment, imitation of Cleveland bank, and service to labor. Purchased Bank of San Bernardino Valley in existence since 1889. Stock sold by committees. Had assistance and advice from the B. of L.E. bank at Cleveland.

*Ownership and control:* Including holdings of Peoples Mortgage Company and Lincoln Holding Company, labor interests owned from sixty to seventy-five per cent of stock of bank. Labor group included both A.F. of L. and brotherhood members. For about three years there was a shift of stock to Lincoln Holding Company, which owned

over forty per cent of stock by close of 1927. Lincoln Holding Company forced to sell because of losses elsewhere, including those on Los Angeles bank stock. Sold to syndicate of business men, including president and one of vice-presidents of bank. Syndicate now owns 1,200 shares. Labor interest since transfer, about thirty per cent. Number of shares originally limited to thirty but limitation did not continue.

*Cooperative features:* No provision for limitation of dividends to stockholders and none for payment of dividends to savings depositors.

*Special services:* Larger proportion of small loans than other banks. Eight per cent charged on small loans. Interest adjusted for installment repayments. Found that small loan business did not pay.

Open Saturdays from 6 p.m. to 8 p.m. on Santa Fé paydays.

*Relations with other banks:* Not member of Federal Reserve System while under labor control. Not member of clearing house.

*Personnel:* Seventeen directors, of whom one also treasurer of the Central Labor Council, one local chairman of the conductors, and one editor of a labor paper. Before transfer practically all directors were labor representatives; since transfer, about half.

Seven officers, four active (president, cashier, and managers of two branches). Three vice-presidents not on salary.

About fifteen employees.

*Affiliated corporations:* Lincoln Holding Company shortly before sale of bank had practical control.

*General character of business:* About 4,000 commercial depositors and 5,000 savings depositors. Larger proportion of small accounts than other banks in city.

*Circumstances of termination:* Shift in control gradual. Culminated in May, 1928. Lincoln Holding Company had started some three years before to acquire control. By end of 1927 it owned approximately 700 of the 1,700 shares with the remaining 1,000 shares scattered. It planned also to secure control of the Los Angeles bank and to start a chain of banks in the Southwest. Unfortunate investments and the loss in connection with the Los Angeles bank stock forced the Lincoln Holding Company to sell its stock.

SAN BERNARDINO, CALIFORNIA. SAN BERNARDINO VALLEY BANK

*May 5, 1922—May, 1928**

| | | Capital | Surplus and undivided profits | Deposits | Resources | Dividends date | Dividends rate paid |
|---|---|---|---|---|---|---|---|
| 1922 | June 30 | $ 85,000 | $ 11,994 | $ 660,527 | $ 757,520 | — | — |
| | Sept. 15 | 85,000 | 12,325 | 705,374 | 802,699 | — | — |
| | Dec. 29* | 85,000 | 23,541 | 756,681 | 865,222 | — | — |

*Date approximate.

SAN BERNARDINO, CALIFORNIA. SAN BERNARDINO VALLEY BANK —*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | April 3 | 85,000 | 16,801 | 827,627 | 933,552 | Jan. 1 | 5% |
| | June 30 | 175,000 | 27,789 | 1,343,115 | 1,545,904 | April | 15%† |
| | Sept. 14 | 175,000 | 17,997 | 1,327,438 | 1,520,437 | July 1 | 3% |
| | Dec. 31 | 175,000 | 20,163 | 1,499,639 | 1,694,803 | Dec. 31 | 7½% |
| 1924 | Mar. 31 | 175,000 | 23,671 | 1,417,546 | 1,617,216 | Jan. | 3% |
| | June 30 | 175,000 | 18,395 | 1,427,926 | 1,622,321 | — | — |
| | Oct. 10 | 175,000 | 28,164 | 1,451,531 | 1,655,694 | — | — |
| | Dec. 31 | 175,000 | 28,385 | 1,538,886 | 1,743,271 | — | — |
| 1925 | April 6 | 175,000 | 22,411 | 1,771,679 | 2,004,490 | — | — |
| | June 30 | 175,000 | 17,019 | 1,891,418 | 2,086,769 | — | — |
| | Sept. 28 | *175,000 | 25,371 | 1,770,405 | 1,975,776 | — | — |
| | Dec. 31 | 175,000 | 20,213 | 1,857,035 | 2,057,649 | — | — |
| 1926 | April 12 | 175,000 | 21,169 | 1,906,382 | 2,110,759 | Jan. | 4% |
| | June 30 | 175,000 | 33,221 | 1,787,405 | 2,005,436 | July | 4% |
| | Dec. 31 | 175,000 | 29,240 | 1,860,163 | 2,065,427 | — | — |
| 1927 | Mar. 23 | 175,000 | 25,916 | 1,773,588 | 1,988,937 | Jan. | 4% |
| | June 30 | 175,000 | 28,952 | 1,832,012 | 2,080,995 | July | 3% |
| | Oct. 10 | 175,000 | 30,664 | 1,771,221 | 1,997,885 | — | — |
| | Dec. 31 | 175,000 | 27,708 | 1,821,881 | 2,026,423 | — | — |
| 1928 | Feb. 28 | 175,000 | 31,452 | 1,865,715 | 2,073,448 | — | — |

*Date approximate.
†Stock dividend.

## BROTHERHOOD NATIONAL BANK OF SAN FRANCISCO

SAN FRANCISCO, CALIFORNIA

*Period of trade union control:* December 18, 1926 (opened) to February 6, 1929 (sold).

*Charter:* National; bank.

*Promotion and organization:* Organized by Pacific Brotherhood Investment Company with help of local B. of L.E. members. Investment by organizing group important factor in starting bank. Stock in bank sold by personal solicitation. Stock in Pacific Brotherhood Investment Company had been sold throughout Pacific Coast by salesmen on fifteen per cent commission.

*Ownership and control:* Fifty-one per cent of stock held by the Pacific Brotherhood Investment Company which had in January, 1926, taken over the California Brotherhood Investment Company. Remaining forty-nine per cent of stock held by local groups in approximately the following proportion: twelve per cent by B. of L.E. members; twelve per cent by members of other trade unions; twenty-five per cent by individuals not connected with organized labor. No limitation on the number of shares owned by an individual or organization. No restriction concerning resale.

*Cooperative features:* Dividends on stock limited to ten per cent in the by-laws. Earlier publicity and statements of condition contained statement that profits were to be shared with savings depositors. Later stated not to be policy of bank. None paid.

*Special services:* A few unsecured loans; generally lump sum but sometimes installment repayments required. Seven per cent on unsecured loans. Mostly co-signature paper.

Bank open from 9 a.m. to 9 p.m. six days a week.

Mail deposits handled by special department. The number of engineers depositing by mail decreased when the Brotherhood's financial difficulties became known in 1927.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Bank had ten directors, three of whom were formerly trade union officers. Two directors had previous experience.

Seven officers, of whom five were active (all except two vice-presidents). Until 1927, president and vice-president of the bank were also officers of the Pacific Brotherhood Investment Company.

Fifteen employees. Organized at the beginning of the bank.

*Affiliated corporations:* Pacific Brotherhood Investment Company, Pacific Empire Company, Assured Thrift and other B. of L.E. enterprises.

*General character of business:* Probably less than five per cent of depositors B. of L.E. members. Deposits of other trade unions approximately ten per cent of total deposits of bank. Collateral loans important use of funds. Commercial lending but little developed.

*Circumstances of termination:* Controlling interest in bank sold February 6, 1929, to Calitalo Investment Corporation at $75 a share. Latter organized November 1, 1927, and merged with Hellenic American Company for the purpose of taking over the bank.

Par value of bank stock reduced from $100 to $25 and offered to the public at $37.50. Name changed to City National Bank.

SAN FRANCISCO, CALIFORNIA. BROTHERHOOD NATIONAL BANK

*December 18, 1926—February 6, 1929*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1926 | Dec. 31 | $ 459,508 | $ 150,000 | $ 1,837,227 | $ 2,452,878 | — | — |
| 1927 | Mar. 23 | 491,870 | 150,000 | 1,603,358 | 2,356,545 | — | — |
| | June 30 | 500,000 | 100,000 | 1,630,868 | 2,331,773 | — | — |
| | Oct. 10 | 500,000 | 100,000 | 1,511,175 | 2,315,260 | — | — |
| | Dec. 31 | 500,000 | 100,000 | 1,599,717 | 2,401,470 | — | — |
| 1928 | Feb. 28 | 500,000 | 100,000 | 1,612,490 | 2,408,871 | — | — |
| | June 30 | 500,000 | 55,793 | 1,669,123 | 2,433,328 | — | — |
| | Oct. 3 | 500,000 | 40,902 | 1,683,936 | 2,412,683 | — | — |
| | Dec. 31 | 500,000 | 50,000 | 1,627,643 | 2,418,090 | — | — |

# *APPENDIX B*

## THE BROTHERHOOD BANK AND TRUST COMPANY

SEATTLE, WASHINGTON

*Period of trade union control:* August 1, 1925 (opened) to approximately May, 1929 (transfer of control initiated).

*Charter:* State; bank and trust company.

*Promotion and organization:* Organized through the Pacific Brotherhood Investment Company. Less impetus from local engineers than in case of other B. of L.E. Pacific Coast banks. Pacific Brotherhood Investment Company supervised sale of the bank stock as well as that of its own, and its salesmen received commissions. Other bank stock sold directly by those interested.

*Ownership and control:* From fifty-five to sixty per cent of stock of bank held by the Pacific Brotherhood Investment Company and fifteen to twenty per cent by individual railroad workers, about half of whom are B. of L.E. members. Controlling interest in bank later transferred by Pacific Brotherhood Investment Company to Brotherhood Investment Company but voting proxy retained by Pacific Company. No restriction on sale of stock. No limitation on the size of holdings. Minority stock widely distributed; about 360 stockholders each holding from one to five shares, with few exceptions.

*Cooperative features:* Dividends on stock limited to ten per cent. Payment of dividends to savings depositors stated policy of bank. None paid.

*Special services:* Bank open regular hours; at first stayed open Saturday evenings, but found this unprofitable.

About five per cent of loans small accommodation loans, mostly unsecured and to customers only. Interest charged at seven to eight per cent. No reduction in interest on installment repayments.

*Relations with other banks:* Not member of Federal Reserve System nor of clearing house.

*Personnel:* Twelve directors, none of whom had previous experience.

Eight officers, of whom two had previous experience. Until 1927, president of bank was also president of Pacific Brotherhood Investment Corporation.

Ten employees; a few unionized.

*Affiliated corporations:* Pacific Brotherhood Investment Company, Pacific Empire Company, Assured Thrift, and other B. of L.E. enterprises.

*General character of business:* Labor support poor. The A.F. of L. unions gave better support to the bank than the brotherhoods. Checking accounts including public funds, about $700,000; savings about

$200,000. Outside competition in savings business from savings and loan companies.

*Circumstances of termination:* Calitalo Investment Corporation early in 1929 secured control of the Pacific Brotherhood Investment Company, thereby obtaining voting control of bank on account of proxy held by the Pacific Company on stock earlier transferred to Brotherhood Investment Company. Authorized capitalization of bank doubled on May 15, 1929. Expectation that Calitalo Investment Corporation will be assured permanent control of bank through interest in additional shares issued. Name of bank changed.

SEATTLE, WASHINGTON. THE BROTHERHOOD BANK AND TRUST COMPANY

*August 1, 1925—Approximately May, 1929*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | Sept. 28 | $ 250,000 | $ 50,000 | $ 648,661 | $ 948,673 | — | — |
| | Dec. 31 | 250,000 | 50,000 | 627,188 | 928,910 | — | — |
| 1926 | April 12 | 250,000 | 50,000 | 826,398 | 1,126,621 | — | — |
| | June 30 | 250,000 | 41,663 | 886,661 | 1,178,352 | — | — |
| | Dec. 31 | 250,000 | 41,411 | 905,020 | 1,196,431 | — | — |
| 1927 | Mar. 23 | 250,000 | 40,000 | 1,096,034 | 1,386,034 | — | — |
| | June 30 | 250,000 | 41,143 | 1,076,718 | 1,372,970 | — | — |
| | Oct. 10 | 250,000 | 43,920 | 916,459 | 1,210,379 | — | — |
| | Dec. 31 | 250,000 | 45,710 | 910,598 | 1,206,308 | — | — |
| 1928 | Feb. 28 | 250,000 | 45,617 | 780,087 | 1,075,705 | — | — |
| | June 30 | 250,000 | 40,000 | 911,954 | 1,201,954 | — | — |
| | Oct. 3 | 250,000 | 40,000 | 856,040 | 1,146,040 | — | — |
| | Dec. 31 | 250,000 | 35,215 | 833,201 | 1,118,416 | — | — |
| 1929 | Mar. 27 | 250,000 | 37,891 | 763,715 | 1,051,606 | — | — |

## CITY NATIONAL BANK

SPOKANE, WASHINGTON

*Period of trade union control:* August 1, 1923 (opened) to January 23, 1929 (liquidated).

*Charter:* National; bank. Name changed November 1, 1928, from The Brotherhood Co-operative National Bank to the City National Bank.

*Promotion and organization:* Organization by rank and file of local engineers. Stock sold by members, without commissions.

*Ownership and control:* The Brotherhood Investment Company (later, Pacific Brotherhood Investment Company) owned about twenty-five per cent of stock of bank. The Brotherhood Investment Company and B. of L.E. members owned together about sixty per cent, other trade unionists twenty-five per cent and nonlabor stockholders about fifteen

per cent of stock of bank. No limitation on the number of shares which could be held. Holders wishing to sell were asked to sell through bank. Little turnover of stock up to 1928.

Some time before termination of bank Pacific Company returned stock in bank to the Brotherhood Investment Company but retained a voting proxy.

*Cooperative features:* Dividends to stockholders limited to ten per cent. Provision for dividends to savings depositors contained in by-laws. Dividends paid to savings depositors at the rate of one-half of one per cent annually in semiannual payments of one-fourth of one per cent in 1924, 1925, 1926, and the first half of 1927.

*Special services:* Small loan business important. Loans confined largely to own customers. Comaker or endorser required. Interest charged at eight per cent. Repayment either in lump sum or installments, but no interest allowed on installment repayments. Experience favorable.

Bank open Saturday evenings from 6 p.m. to 8 p.m. Banking by mail encouraged.

*Relations with other banks:* Member of Federal Reserve System but not of clearing house.

*Personnel:* Nine directors exclusive of officers. Number reduced to five in fall of 1928. Number of engineers on board then reduced from four to one.

Originally seven officers. During 1926 and 1927 eleven officers, including six vice-presidents. By close of 1927 reduced to eight, five active (vice-president, vice-president and cashier, and three assistant cashiers). During 1924 and 1925 president, executive vice-president, and cashier of bank were also officers of the Pacific Brotherhood Investment Company.

Twenty-one employees; not unionized.

*Affiliated corporations:* Brotherhood Investment Company, Pacific Brotherhood Investment Company, Pacific Empire Company, Assured Thrift, and other B. of L.E. enterprises.

*General character of business:* Support of labor group good. Bank had about sixty per cent of railroad men's business and about thirty-three per cent of A.F. of L. unions' business. About twenty per cent of bank's deposits came from trade unionists.

*Circumstances of termination:* Due to a banking crisis in Spokane brought on by the failure of a large bank in January, 1929, confidence in City National Bank became seriously undermined. The pressure of heavy withdrawals led to a decision by the directors and other local bankers on January 23, 1929, favoring the voluntary liquidation of the assets of the bank. On the same day the Old National Bank and Union Trust Company of Spokane assumed the bank's deposit liability on

assignment of its assets and guarantees by its stockholders. Liquidation not yet completed. The amount which will be returned to stockholders on their investment estimated at not over eighty cents on a dollar.

SPOKANE, WASHINGTON. CITY NATIONAL BANK

*August 1, 1923—January 23, 1929*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS* DATE | RATE PAID |
|---|---|---|---|---|---|---|---|
| 1923 | Sept. 14 | $ 171,358 | $ 40,000 | $ 246,667 | $ 460,604 | — | — |
| | Dec. 31 | 198,600 | 46,220 | 663,578 | 909,799 | — | — |
| 1924 | Mar. 31 | 200,000 | 74,941 | 1,032,474 | 1,307,415 | — | — |
| | June 30 | 200,000 | 36,336 | 1,326,004 | 1,562,339 | — | — |
| | Oct. 10 | 200,000 | 55,843 | 1,694,173 | 1,975,831 | — | — |
| | Dec. 31 | 200,000 | 44,646 | 1,772,592 | 2,078,665 | Dec. 31 | 5% |
| 1925 | April 6 | 200,000 | 54,010 | 2,062,724 | 2,480,694 | — | — |
| | June 30 | 200,000 | 63,526 | 2,104,046 | 2,571,982 | — | — |
| | Sept. 28 | 200,000 | 76,745 | 2,306,159 | 2,800,459 | — | — |
| | Dec. 31 | 200,000 | 54,000 | 2,556,773 | 3,020,680 | Dec. 31 | 6% |
| 1926 | April 12 | 200,000 | 63,465 | 2,647,987 | 3,138,328 | — | — |
| | June 30 | 200,000 | 74,444 | 2,577,767 | 3,060,429 | — | — |
| | Dec. 31 | 200,000 | 65,919 | 2,823,186 | 3,293,819 | Dec. 31 | 7% |
| 1927 | Mar. 23 | 200,000 | 98,123 | 2,814,190 | 3,334,650 | — | — |
| | June 30 | 200,000 | 111,253 | 2,734,870 | 3,249,073 | — | — |
| | Oct. 10 | 200,000 | 123,438 | 2,660,527 | 3,211,354 | — | — |
| | Dec. 31 | 200,000 | 75,485 | 2,790,139 | 3,285,112 | Dec. 31 | 7% |
| 1928 | Feb. 28 | 200,000 | 81,921 | 2,665,419 | 3,186,090 | — | — |
| | June 30 | 200,000 | 89,097 | 2,687,913 | 3,195,679 | — | — |
| | Oct. 3 | 200,000 | 124,609 | 2,893,806 | 3,413,415 | — | — |
| | Dec. 31 | 200,000 | 76,076 | 2,908,793 | 3,406,842 | — | — |

*A dividend at the rate of one-half of one per cent annually was paid to savings depositors in 1924, 1925, 1926 and the first half of 1927.

## THE BROTHERHOOD STATE BANK OF SPOKANE

SPOKANE (HILLYARD), WASHINGTON

*Period of trade union control:* March 9, 1925 (purchased) to January 23, 1929 (merged with other Hillyard banks).

*Charter:* State; bank.

*Promotion and organization:* Initiative by local group of engineers. Took over bank in existence. Stock sold by individuals, without commissions.

*Ownership and control:* About sixty-two per cent of stock originally owned by Pacific Brotherhood Investment Company; later transferred to Brotherhood Investment Company but voting proxy retained by Pacific Company. Individual engineers owned from eighteen to twenty-three per cent and conductors and other trade unionists about ten per cent. Relatively little stock held outside of the labor

movement. No restriction concerning stock, either as to amount purchased or resale.

*Cooperative features:* By-laws contained provisions for limitation of dividends on stock to ten per cent and for payment of dividends to savings depositors. None paid.

*Special services:* More liberal than other banks in community in making loans to workers. Eight per cent interest on full loan for full time. Loans arranged for installment repayments. Experience fair.

*Relations with other banks:* Not member of Federal Reserve System. Bank located in Hillyard, suburb of Spokane, where there is no clearing house.

*Personnel:* Seven directors, of whom probably none had previous investment experience. Six were engineers.

Five officers, two full time active (cashier and assistant cashier) and one part time (president). Until 1927, the president of the Pacific Brotherhood Investment Company was also the president of the bank.

One employee in addition to two active officers.

*Affiliated corporations:* Pacific Brotherhood Investment Company, Brotherhood Investment Company, Pacific Empire Company, Assured Thrift, and other B. of L.E. enterprises.

*General character of business:* Fifty per cent of deposits from wage earners.

*Circumstances of termination:* The same banking crisis which caused the termination of the City National Bank of Spokane caused heavy withdrawals from the Brotherhood State Bank, which was affiliated with the former institution both in operation and in the minds of th community. The serious condition which resulted in the bank led to a joint assumption of the assets and liabilities of the bank by the other two banks in Hillyard and the city clearing house as a means of voluntary liquidation. Since many of the loans of the bank were on unsecured notes, there is some doubt as to the extent of the liquidation dividends, none of which have yet been paid.

SPOKANE, WASHINGTON. THE BROTHERHOOD STATE BANK OF SPOKANE

*March 9, 1925—January 23, 1929*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1925 | April 6 | $ 25,000 | $ 5,000 | $ 121,012 | $ 156,865 | — | — |
| | June 30 | 25,000 | 5,000 | 126,685 | 221,417 | — | — |
| | Sept. 28 | 25,000 | 4,371 | 143,575 | 172,947 | — | — |
| | Dec. 31 | 25,000 | 5,000 | 179,691 | 209,691 | — | — |

SPOKANE, WASHINGTON. THE BROTHERHOOD STATE BANK OF SPOKANE

—*Continued*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1926 | April 12 | 25,000 | 5,371 | 205,627 | 236,386 | — | — |
| | June 30 | 25,000 | 5,662 | 190,423 | 221,417 | — | — |
| | Dec. 31 | 25,000 | 5,875 | 192,642 | 224,428 | — | — |
| 1927 | Mar. 23 | 25,000 | 6,096 | 184,925 | 216,512 | — | — |
| | June 30 | 25,000 | 5,672 | 205,883 | 237,431 | — | — |
| | Oct. 10 | 25,000 | 7,043 | 173,713 | 206,598 | — | — |
| | Dec. 31 | 25,000 | 7,744 | 201,370 | 234,114 | — | — |
| 1928 | Feb. 28 | 25,000 | 6,745 | 159,891 | 192,563 | — | — |
| | June 30 | 25,000 | 7,346 | 173,547 | 205,893 | — | — |
| | Oct. 3 | 25,000 | 5,394 | 176,040 | 206,434 | — | — |
| | Dec. 31 | 25,000 | 6,122 | 181,166 | 212,288 | — | — |

## UNITED BANK AND TRUST COMPANY

TUCSON, ARIZONA

*Period of trade union control:* May 21, 1921 (opened) to June 21, 1928 (sold).

*Charter:* State; bank and trust company. Trust functions never exercised. Name originally Cooperative Bank and Trust Company. Changed November 19, 1924, to United Bank and Trust Company.

Branch at Winslow, Arizona, opened in 1924. Sold June 30, 1928, to local group.

The stock of the bank was originally held by the Tucson Cooperative Association, organized on the cooperative principle of one man, one vote. Since the Arizona laws did not permit incorporation on this basis, the Association was organized as a Massachusetts trust under a declaration of trust. On legal advice, the Association was reorganized in 1925 as the Tucson Cooperative Corporation and the one man, one vote, arrangement was omitted.

*Promotion and organization:* Officers of local unions, city federation officers, and rank and file of local trade union members sponsored bank. In part, a defense against local open shop movement.

Stock in Tucson Cooperative Association sold for one hundred dollars with a fee of five dollars per person to meet preorganization expenses, but no provision for surplus. Large part of stock sold by volunteers. One engineer paid regular earnings for time taken selling stock. Stock in bank not sold to the public; held by Association except for directors' qualifying shares.

Tucson bank established branch at Winslow, Arizona, using building and fixtures of previous bank which had failed.

*Ownership and control:* All of the bank's stock except for directors' qualifying shares owned at first by the Association, later by the Corporation. Stock in the Association widely distributed. Practically all unions in Tucson interested, but railroad brotherhoods seem to have shown most lasting interest. No restriction on number of shares owned by one person or organization but the early arrangement of one man, one vote, made large holdings less desirable to purchasers. Holders of stock wishing to sell required to offer their stock to Association, but Association lacked funds with which to repurchase. Gradual change in ownership of about twenty-five per cent of stock through individual sales to other small holders.

*Cooperative features:* The Tucson Cooperative Association was organized on the principle of one man, one vote.

This found to be illegal in connection with another organization in Tucson and the Association was therefore reorganized as the Tucson Cooperative Corporation omitting the one man, one vote, principle. Association charter contained provision for limitation of dividends to stockholders to ten per cent, but no provision existed for payment of dividends to savings depositors. The Tucson Cooperative Corporation omitted the provision for the limitation of dividends.

*Special services:* At first, bank remained open evenings on Southern Pacific paydays, but practice found unsatisfactory. Bank gave use of cellar as meeting place for four brotherhoods.

Large part of bank's business in relatively small loans. Larger part of these loans, in amount, secured; in number, unsecured. Bank endeavored to arrange for monthly repayments, but succeeded only part of the time. No reduction in interest made because of installment repayments. Experience with small loans unsatisfactory; often difficult to collect. Loan board left decisions on loans to bank officers.

*Relations with other banks:* Not member of Federal Reserve System; member of clearing house.

*Personnel:* Nine directors originally; number reduced to five in 1923, including three officers of bank and two brotherhood members. Board later increased to seven to include representatives from Winslow branch.

Three officers; all active. One (vice-president and cashier) had had previous banking experience. One (assistant cashier) had been in mortgage business. No president since 1925.

Nine employees, including those at Winslow branch; not unionized.

*Affiliated corporations:* Bank stock except for directors' qualifying shares held by the Tucson Cooperative Association which was replaced in 1925 by the Tucson Cooperative Corporation.

*General character of business:* Did little commercial line of credit business. Loaned to small tradesmen and individuals. Little agriculture business in Tucson.

*Circumstances of termination:* On June 21, 1928, Tucson Cooperative Corporation sold stock in bank to two business men. New owners furnished $70,000 to replace bad paper in the bank and assumed responsibility for the bank's liabilities. Holders of Tucson Cooperative Corporation stock have an equity in such proceeds as may be realized from paper removed.

TUCSON, ARIZONA. UNITED BANK AND TRUST COMPANY

*May 21, 1921—June 21, 1928*

| | | CAPITAL | SURPLUS AND UNDIVIDED PROFITS | DEPOSITS | RESOURCES | DIVIDENDS DATE | DIVIDENDS RATE PAID |
|---|---|---|---|---|---|---|---|
| 1921 | June 30 | $ 60,000 | | $ 92,410 | $ 161,060 | — | — |
| | Sept. 6 | 70,000 | | 122,591 | 192,591 | — | — |
| | Dec. 31 | 70,000 | | 159,359 | 240,898 | — | — |
| 1922 | Mar. 10 | 70,000 | | 180,649 | 262,187 | — | — |
| | June 30 | 70,000 | $ 704 | 166,484 | 238,727 | — | — |
| | Sept. 15 | 70,000 | | 138,936 | 220,474 | — | — |
| | Dec. 29 | 70,000 | 596 | 137,589 | 213,186 | — | — |
| 1923 | April 3 | 70,000 | 1,385 | 170,211 | 241,596 | — | — |
| | June 30 | 70,000 | 1,537 | 158,482 | 240,020 | — | — |
| | Sept. 14 | 70,000 | 984 | 158,361 | 233,846 | — | — |
| | Dec. 31 | 70,000 | 1,255 | 156,148 | 235,903 | — | — |
| 1924 | Mar. 31 | 70,000 | 1,352 | 184,483 | 255,835 | — | — |
| | June 30 | 70,000 | 1,450 | 194,394 | 265,845 | — | — |
| | Oct. 10 | 70,000 | 1,014 | 206,281 | 277,295 | — | — |
| | Dec. 31 | 70,000 | | 288,542 | 375,442 | — | — |
| 1925 | April 6 | 70,000 | | 295,977 | 382,877 | — | — |
| | June 30 | 70,000 | | 350,791 | 420,791 | — | — |
| | Sept. 28 | 70,000 | | 440,662 | 510,662 | — | — |
| | Dec. 31 | 70,000 | 66 | 432,584 | 502,650 | — | — |
| 1926 | April 12 | 70,000 | 1,008 | 469,929 | 540,938 | — | — |
| | June 30 | 70,000 | 1,512 | 503,781 | 575,292 | — | — |
| | Dec. 31 | 70,000 | 2,102 | 528,182 | 600,284 | — | — |
| 1927 | Mar. 23 | 70,000 | 2,577 | 650,454 | 762,941 | — | — |
| | June 30 | 70,000 | 1,823 | 634,107 | 760,148 | — | — |
| | Oct. 10 | 70,000 | 2,431 | 693,978 | 804,809 | — | — |
| | Dec. 31 | 70,000 | 1,497 | 714,353 | 810,850 | — | — |
| 1928 | Feb. 28 | 70,000 | | 716,873 | 811,873 | — | — |

## III. BANKS SOMETIMES REFERRED TO AS LABOR BANKS, WHICH WERE NOT LABOR BANKS, OR WHOSE CONNECTION WITH LABOR WAS DOUBTFUL OR SHORT-LIVED

NOTE: In addition to the thirty-nine banks described above, there are several which have been referred to from time to time as labor banks although they have never been so in fact. In the case of other banks, trade union control has never been clearly established, was very indirect and incidental, or so short-lived as to pass unrecognized. Thus The Brotherhood State Bank at Kansas City is not included in the list of labor banks because at no time was a majority of its stock owned by trade unions or trade union members as such, although three different unions were interested in it. On the other hand, the bank at Whitefish, Montana, is now known to have been in the hands of labor through an ownership of fifty-one per cent of its stock. This was not generally recognized at the time and lasted for such a short period that the bank has never been classed as a labor bank.

*Atlanta, Georgia. Unity Trust Company.* Had the support of the Georgia Federation of Labor, although it is not known whether or not the Federation owned a controlling interest in the stock. Officers included former vice-president of the Brotherhood of Railroad Trainmen, a representative of the American Train Dispatchers Association, and a former vice-president of the Brotherhood of Railway and Steamship Clerks. Did not do commercial banking. Opened September 1, 1925. Went into voluntary bankruptcy in 1926. The final dividend to stockholders amounted to about seven cents on the dollar.

*Eagle Rock, California. Eagle Rock State Bank.* Controlled for a short time, about 1924, by the Peoples Bank and Trust Company of Los Angeles, California, then a labor bank.

*Jacksonville, Florida.* Bank reported to have been opened in 1924 and to have been owned by members of the B. of L.E., Conductors, and Machinists. Connection of labor with bank not determined.[1]

*Kansas City, Kansas. The Brotherhood State Bank.* Not a labor bank since the trade unions interested have, at no time, owned more than 205 of the 1,000 shares of stock. Bank originally planned by officers of the International Brotherhood of Boilermakers, Iron Ship Builders,

[1]Hillman, Sidney. "Labor Banking Movement in the United States," *Proceedings, Academy of Political Science*, April, 1925, p. 111.

and Helpers of America, which has its headquarters at Kansas City. Union lacked funds to buy controlling interest in stock. Control purchased by group of physicians and business men. Stock also purchased by Brotherhood of Railway Carmen of America and by the Coopers' International Union of North America, both of which have headquarters in Kansas City. Boilermakers own approximately 100 shares, the Carmen 100, and the Coopers about 5. The bank uses the name Brotherhood partly because located in the Boilermakers' building. About twenty per cent of the bank's deposits are from trade union organizations and members. The secretary of the Railway Carmen is a member of the board of directors and the president of the Boilermakers is the chairman of the board.

*Kansas City, Kansas. Farmers Union State Bank.* Opened July 1, 1924. Not classed as a labor bank since its stock was not owned by trade unions. Owned by Farmers Educational and Cooperative State Union of Kansas. Had ten per cent limitation on stockholders' dividends.

*Milwaukee, Wisconsin. Commonwealth Mutual Savings Bank.* Has never been a labor bank although at times referred to as one. No stock in bank owned by trade unions. A number of unions deposit with bank and attitude of bank toward labor reported to have been cooperative.

*New York, New York. Empire Trust Company.* The B. of L.E. bought a large block of stock (probably majority) of the Empire Trust Company. Several B. of L.E. officers including Stone and Prenter were directors of the Trust Company.[1] The B. of L.E. sold a large part of this stock early in 1926.[2]

*Potomac, Virginia. Potomac Trust Company.* Not a labor bank. Organized by promoter who sold stock to inhabitants of Potomac, largely railroad employees. Bank burdened with heavy organization expense, and funds loaned on frozen securities. To protect labor group, two officers of International Association of Machinists became directors of bank and took lead in liquidation. Board of directors purchased practically all stock and voted to liquidate bank early in 1924. Assets and liabilities taken over by a bank in Alexandria, Virginia. Depositors paid in full. Probable that when final settlement is made directors owning stock will receive about ten cents on the dollar.

[1] Stockbridge, Frank P. "The New Capitalism," *The Saturday Evening Post*, November 6, 1926.
[2] *The Wall Street Journal*, August 11, 1926.

*Sarasota, Florida. Bank of Sarasota.* Bank controlled by the B. of L.E. through the Brotherhood Realty Company or an affiliated corporation from 1926 to March, 1928, largely as a part of nearby development of Venice, Florida, by the Engineers. Trade union control of bank appears to have been incidental.

*Superior, Wisconsin. Finnish Mutual Savings Bank.* Connection with labor not established.[1]

*Washington, D.C. Commercial National Bank.* Before organizing the Mount Vernon Savings Bank, the International Association of Machinists purchased stock in the Commercial National Bank of Washington, D.C. The president of the Commercial National Bank owns stock in the Mount Vernon Savings Bank and is the chairman of the board of directors. The bank is not considered a labor bank since the union owns less than a majority of the stock.

*Whitefish, Montana.* The B. of L.E. (or the local group of railroad labor, engineers, conductors, etc.) controlled a majority of the stock of the bank for a time. Bank reported to have been actively opposed by the local mining interests and to have suffered seriously from competition by nearby bank at Kalispell. Liquidated.

[1] Cf. *Outlook*, September 27, 1922, v. 132, pp. 137, 138; *New Republic*, February 7, 1923, v. 33, pp. 268–9.

## *IV. PROPOSED OR PARTIALLY PROMOTED LABOR BANKS*

NOTE: While the labor banking movement was expanding, many banks were proposed which for one reason or another were never opened for business. The following list of such proposed banks includes those concerning which the Industrial Relations Section has been able to obtain definite information. Where it is possible, the names of the organizing groups and the approximate dates have been included.

*Atlantic City, New Jersey.* (*Atlantic Union Securities Company.*) Incorporated in June, 1927. Receiver appointed September 6, 1928. Petition for a receiver states that the Securities Company was organized for the purpose of financing a bank in Atlantic City but that the application for a national charter was refused and that no application was made for a state charter, since it was believed that none would be granted. Stated that a large proportion of stock in the Securities Company was sold by firm receiving twenty per cent commissions on sales. The petition recites various irregularities in connection with commissions and with the handling of sums paid in on stock subscriptions.[1]

It is reported that some four hundred people purchased stock and that they will receive not more than a small fraction of their investments.[2]

*Buffalo, New York. United Labor Bank of Buffalo.* The Union Labor Holding Company was incorporated under the laws of the State of New York primarily for the purpose of establishing a labor bank in Buffalo, New York. Original plan for the bank included a capital of $200,000 and surplus of $50,000; this decreased to capital of $100,000 and surplus of $25,000. Sponsoring unions included railroad brotherhoods, building trades, Electrical Workers, Typographical Union, etc. Seventy per cent of the stock to be sold only to local unions or their members. Seven out of ten members of the board of directors to be labor representatives. Repurchase agreement in connection with bank stock.[3] It is not known whether the organization of the bank has been dropped.

*Cheyenne, Wyoming.* (Wyoming State Federation of Labor). Resolu-

[1] In Chancery of New Jersey, 69–379, between William J. Crane et al., complainants, and Atlantic Union Securities Company, defendant.

[2] *The New York Times*, September 7, 1928.

[3] The United Labor Bank of Buffalo, prospectus.

tions concerning the establishment of a labor bank discussed at both the 1924 and 1926 conventions of the Wyoming State Federation of Labor. The executive board reported to the 1926 convention that the committee which had investigated the subject had decided that the time was not opportune for the establishment of a labor bank in Wyoming.[1]

*Chicago, Illinois.* (Chicago Building Trades Council). The Chicago Building Trades Council was included in 1925 in a list of organizations planning to establish labor banks.[2]

*Chicago, Illinois.* (Chicago District Council of the United Brotherhood of Carpenters and Joiners of America). The Chicago District Council of the Brotherhood of Carpenters and Joiners of America was reported in 1925 to be planning a labor bank to be capitalized at $5,000,000. Stock was to be limited to members of the Brotherhood and no member was to be allowed to own more than ten shares.[3]

*Chicago, Illinois. Illinois Federation Trust and Savings Bank.* Leaders of the building trades unions in Chicago organized the Illinois Federation Corporation in March, 1926. This company loans its funds on first mortgages. Membership was originally limited to union members in the building trades, but is now open to all organized workers in Chicago.[4] In December, 1927, it was announced that a labor bank was to be established to work in conjunction with the Illinois Federation Corporation.[5] No further information concerning the proposed bank is available.

*Cincinnati, Ohio.* (International Union of United Brewery, Flour, Cereal, and Soft Drink Workers). The question of a bank to be established by the Brewery Workers' International Union, either by itself

[1]Wyoming State Federation of Labor, *Convention Proceedings of the Fourth Biennial Convention*, 1924, p. 61; *Proceedings of the Fifth Biennial Convention*, 1926, pp. 18, 45.

[2]Hillman, Sidney. "Labor Banking Movement in the United States," *Proceedings, Academy of Political Science*, April, 1925, p. 112; Grimstead, G. "Developments in the Labor Bank Field," *Bankers' Magazine*, December, 1924, v. 109, pp. 1067–70.

[3]*Locomotive Engineers Journal*, January, 1925, p. 40; Hillman, Sidney. "Labor Banking Movement in the United States," *Proceedings, Academy of Political Science*, April, 1925, p. 112.

[4]For notices concerning the activities of the Illinois Federation Corporation, see the files of the *Federation News* (published by the Chicago Federation of Labor). See also *Monthly Labor Review*, August, 1928, p. 15; *Bloomfield's Labor Digest*, February 20, 1926, pp. 3387, 3388.

[5]*Federation News*, December 3, 1927, p. 3, December 10, 1927, p. 5, and December 24, 1927, p. 3; *Locomotive Engineers Journal*, February, 1928, p. 114.

or in connection with another union, was discussed at their 1920 convention.[1] The general executive board of the Union reported to a subsequent convention in 1923 that at a conference on the subject of banking held the previous year the Brotherhood of Railway Clerks had reported their decision to go ahead with the organization of a bank, but that the representatives of the Brewery Workers and other unions having their headquarters in Cincinnati had felt that they were not ready to join the enterprise. The convention resolved to investigate the subject further and to give labor banks the preference when investing union funds.[2]

*Columbus, Ohio. Columbus Labor Bank.* The movement to organize a bank in Columbus originated with the Ohio State Conference of the Bricklayers, Masons, and Plasterers' International Union of America. A motion to invest $50,000 of the Union's funds in the proposed bank was discussed at the 1922 convention.[3] It was reported to the 1924 convention that stock had been subscribed for to the amount of $94,375, including the proposed investment of $50,000 by the Union. Subordinate unions of Ohio and individuals were advised to subscribe.[4] The 1926 convention reaffirmed its approval of labor banks and its willingness to help finance one if properly launched.[5] The Department of Banks of the State of Ohio reports that the application for the Columbus Labor Bank is at present lying dormant and that nothing has been done with it since the filing of articles of incorporation in December, 1926.

*Connecticut.* (Hartford? Connecticut Federation of Labor). Resolution passed in the 1923 convention of the Connecticut Federation of Labor that a committee be appointed to investigate the advisability of establishing a bank.[6] This committee reported to the 1925 convention that $5,095 had been received in stock subscriptions and recommended that an organizer be engaged to take charge of the sale of

[1]International Union of United Brewery, Flour, Cereal, and Soft Drink Workers of America, *Proceedings, Twenty-second Convention*, 1920, pp. 61 and 62.

[2]International Union of United Brewery, Flour, Cereal, and Soft Drink Workers of America, *Proceedings, Twenty-third Convention*, 1923, pp. 55, 76.

[3]Bricklayers, Masons, and Plasterers' International Union of America, *Proceedings, Eighth Biennial Convention*, 1922, pp. 150–3.

[4]Bricklayers, Masons, and Plasterers' International Union of America, *Proceedings, Ninth Biennial Convention*, 1924, pp. 79-85, 156.

[5]Bricklayers, Masons, and Plasterers' International Union of America, *Proceedings, Tenth Biennial Convention*, 1926, p. 137.

[6]Connecticut Federation of Labor, *Official Proceedings, Fortieth Annual Convention*, 1925, p. 8.

stock at a commission of not over five per cent on sales.[1] The committee reported to the 1927 convention that money paid in for stock subscriptions had been returned to the subscribers.[2]

*Harrisburg, Pennsylvania. Fraternity Trust Company.* Promotion started in latter part of 1921.[3] Original plan to take over the Federal Title and Trust Company as soon as sufficient capital was secured. About sixty per cent of stock to be owned by labor and forty per cent by business men. Trouble arose between the Federal bank and the organizers of the labor bank and the latter withdrew and secured another building. They were making a closing drive to sell the necessary stock when it was found that an officer had been appropriating funds to the amount of $25,000. The State Banking Department took over the books and affairs of the proposed bank. This was sometime in 1924. The matter is still pending settlement and it is not known what percentage the stockholders will eventually receive on their investments.

*Salt Lake City, Utah.* Proposition to organize bank and investment company reported to have had the approval of the national officials of the B. of L.E. and of the 1924 convention of the Utah State Federation of Labor. Bank to be organized by state federation, Salt Lake City Federation, and four brotherhoods.[4]

[1] Conecticut Federation of Labor, *Official Proceedings, Fortieth Annual Convention*, 1925, p.35.

[2] Connecticut Federation of Labor, *Official Proceedings, Forty-second Annual Convention*, 1927, p. 15.

[3] From the information which it has been possible to secure, it seems probable that the central labor union of Harrisburg was the organizing group. This, however, is not entirely clear.

[4] *Utah Labor Yearbook*, 1924, pp. 18, 22, 31, 33.

## *V. LABOR BANKS REPORTED AS PROPOSED*

NOTE: Location and sponsoring organization are given where possible and source of report is noted. No further information is available. Banks were never opened and in many cases reports were probably confused or without basis.

*Albany, New York.* B. of L.E. 1925. (Sidney Hillman in "Labor Banking Movement in the United States," *Proceedings, Academy of Political Science*, April, 1925, p. 112.)

*Baltimore, Maryland.* B. of L.E. 1924. (G. Grimstead in "Developments in the Labor Bank Field," *Bankers' Magazine*, December, 1924, pp. 1067–70.)

*Boston, Massachusetts.* Locals of the Order of Railroad Telegraphers in and around Boston. (*Locomotive Engineers Journal*, September, 1923, p. 733.)

*Bridgeport, Connecticut.* B. of L.E. To be operated by the New England Brotherhood of Locomotive Engineers Securities Corporation. 1925. (*Bloomfield's Labor Digest*, September 26, 1925, p. 3217, quoting William J. Wall, Connecticut state representative of the B. of L.E.)

*Buffalo, New York.* B. of L.E. 1925. (Sidney Hillman in "Labor Banking Movement in the United States," *Proceedings, Academy of Political Science*, April, 1925, p. 112.)

*Buffalo, New York.* Central Labor Union of Buffalo. (*Advance*, September 29, 1922, p. 5.)

*Chattanooga, Tennessee.* B. of L.F. 1924. (G. Grimstead in "Developments in the Labor Bank Field," *Bankers' Magazine*, December, 1924, pp. 1067–70.)

*Chicago, Illinois.* Chicago B. of L.E. locals. 1922. (W. F. McCaleb. *Proceedings of the Third Triennial Convention of the Brotherhood of Railway and Steamship Clerks*, 1922, p. 26.)

*Chicago, Illinois.* International Association of Machinists. 1920. (*Advance*, October 22, 1920, p. 6.)

*Chicago, Illinois.* Chicago Federation of Labor. 1925. (*American Labor Year Book*, 1925, p. 224.)

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The reports of conventions and official journals of national trade unions or federations interested in labor banking have proved a fruitful source of information. The publications of this nature found most valuable are given in Part B. The files of the trade union journals and convention proceedings listed in Part B, as well as files of the labor newspapers cited in Part A, are among those in the library of the Industrial Relations Section at Princeton.

In Part C are listed the periodicals in which unsigned articles on labor banking have appeared at frequent intervals.

A comprehensive and accurate bibliography of published material on labor banking appeared in the *Monthly Labor Review* of September, 1926. It was prepared by Miss Laura A. Thompson, Librarian of the United States Department of Labor. This bibliography has been used by the Industrial Relations Section to supplement its own sources, and most of the items in the bibliography are included here.

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NOTE: The names of labor banks appearing in the body of the book are listed under the city in which they are located. Banks included only in Appendix B, Parts III, IV, and V are not listed in the index. The details concerning individual banks and the names of affiliated organizations appearing in Appendix B are not indexed. The banks described in Appendix B will be found in each part in alphabetical order by city.

Closeness of labor & capit. in U.S.
2. Too much X as capit - not enough
as labor leader - Division of duties

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Discrimination necessary
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